3 1761 [illegible]537

PROFITS versus DIVIDENDS on Stock Exchange . . Investments . . . . .

EcF
D9126p

PROFITS versus DIVIDENDS on Stock Exchange . . Investments . . . . .

DUNCANS.

Authors of "Duncans on Investment and Speculation," "How Money makes Money," "Duncans' Investment Tables," &c.

FIRST EDITION.

84088
3/10/07

London, 1900.

Effingham Wilson, Royal Exchange, London, E.C.

STRAKER BROTHERS, LTD.
PRINTERS,
44-47 BISHOPSGATE WITHOUT,
E.C.

INDEX.

PREFACE.

PART I.

INVESTORS AND INVESTMENTS.

PAGE.

Chapter I. .. .. .. Investment Hunting 3

,, II. .. .. Outside Advice 8

,, III. .. The Scope of Various Investments 13

,, IV. .. .. .. The Value of Stocks 18

,, V. .. .. .. The Time to Buy 23

,, VI. .. .. .. The Time to Sell 29

,, VII. .. Stocks for Permanent Holding 32

,, VIII. Heavy Losses Turned into Large Profits 35

,, IX. The Largest Income from Investments 44

PART II.

THE PRACTICAL TREATMENT OF STOCKS.

Chapter X. .. .. Neglected Investments 49

,, XI. .. The Proper Treatment of Stocks 53

,, XII. .. .. Results of Proper Treatment 59

PAGE.

Chapter XIII. No. 1 Investment—New South Wales 3½% Inscribed Stock 65

„ XIV. No. 2 Investment—Illinois Central 4% Gold Bonds 71

„ XV. No. 3 Investment—Spanish Bonds .. 73

„ XVI. No. 4 Investment—Brazilian Bonds .. 79

„ XVII. No. 5 Investment—Metropolitan District 5% Pref. Stock 83

„ XVIII. No. 6 Investment—Great Central "A" Stock 87

„ XIX. No. 7 Investment—Chatham Ordinary Stock 91

„ XX. No. 8 Investment—Canadian Pacific Shares 95

„ XXI. No. 9 Investment—Mexican Railway 1st Pref. Stock 101

„ XXII. No. 10 Investment—Suez Canal Shares 105

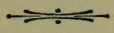
„ XXIII. .. Maximum and Minimum Incomes 109

„ XXIV. The Practical Working of Investment Accounts 115

„ XXV. Ideal Terms for Transacting Investment Business (ADVERTISEMENT) .. 119

Appendix No. 1 125

PREFACE.



TEN years ago, London and South Western Ordinary Stock stood at 150. It has since then sold at 236, and to-day the price is over 200. Like increases in value are to be discovered in many old-fashioned investments.

At first sight one would think that investors who held these old-fashioned stocks must have grown richer during the period. Yet, such is not the case.

Let these investors reflect. Was there not a chance some time during these ten years of realising each and every security held at a profit? But, paper profits were not transformed into cash profits. Hence the present position of these unsuccessful investors, and hence the necessity for this book.

The audience we address is large. We address all those investors who think speculation necessary, before a high return on capital can be attained; we address all those who, to attain the same end, think increased risks necessary; and, we address all those who do not know that large profits can be realised, free from risks, by simply selling one's stocks when they have risen in value, and repurchasing them when they have fallen in price.

In the following Chapters we explain how this should be done. The subject may seem dry at first,

as we have to consider certain technical details before we can sum up and shew clearly the method which must be adopted to attain the best results.

Impatient readers should turn at once to Part II.; it contains the practice. Those who have leisure should first study the theory contained in Part I. But, as the lesson to be learnt is most valuable, we ask our readers to follow us patiently in any event, and so learn that the investments held can produce a large income if used with caution and common sense, whilst haphazard speculation is unnecessary and should be avoided.

DUNCANS.

8 & 9, *Waterloo Place*,
London, S.W.

Part 1.

INVESTORS AND INVESTMENTS.

Chapter I.

Investment Hunting.

The London Stock Exchange counts about ten thousand different investments, and, in addition, there is quite that number of small local companies which have only recently been introduced on the London market. The "Official List" classifies investments under thirty-two different headings, but, if one tried to arrive at a proper classification, at least one hundred and twenty categories would have to be made.

The capital represented by these investments amounts to over seven thousand millions sterling, whilst very frequently the increase in value of these securities amounts in a single day to over a million sterling.

We mention these facts in order to give our readers some idea how large the field of British investments really is. It would be easier to learn the names of all the streets in London than the names of all the investments known to the London market.

With such an enormous field before one, no difficulty exists in satisfying every taste and fancy, and yet, in spite of this richness of choice, investors rarely buy what they really require, and thus give themselves a great deal of unnecessary trouble and anxiety.

If a lady wishes to buy a dress, she tells her exact requirements to the shopkeeper and makes a selection from suitable materials. What would be the result if the lady simply wrote for patterns, not mentioning what sort of dress she required, and, on receiving serge patterns, selected that material for a ball dress?

Yet, this is exactly the procedure which is adopted by most investors in stocks.

They do not ask themselves the object of the investment; they do not ask themselves whether they desire a stock in order to live on the income it produces, or a stock because it is likely to increase in capital value, or a stock in which they can temporarily place their money, and hope for a quick rise.

All stocks seem to them alike, and the usual way in which they write to their stock dealer is: "Can you recommend me something safe for the £1,000 which I desire to invest?"

There are as many shades of safety in investments as there are shades in colour from pure white to black, each shade having advantages and disadvantages of its own. The investor, not having specified his requirements, gets what he requires only in the rarest cases.

In time he is certain to find this mode of investment on advice unsatisfactory, and he, therefore, begins to search for himself.

He does not enquire into the nature of the money market or into the nature of the stocks; he simply commences to read the money market column in the daily papers.

He can hardly distinguish between a foreign loan and a foreign trading company, but he familiarises himself with a few names, orders some stock, and is then rather surprised to find that this haphazard choice is not all that he hoped it would be.

He finds money is not to be made at haphazard in this practical nineteenth century.

The first bitter lessons having been learned, though not digested, the investor now turns to pastures new, and begins reading prospectuses offering investments in new companies.

He does not know that even the astutest City man is sometimes taken in by the cunning promises of a prospectus, and that it is utterly impossible to judge an investment from the prospectus alone.

In order conclusively to prove this assertion, we print in Appendix No. 1 three prospectuses, only altering names and capital amounts, in order to give no clue to the identity of the companies. One of these companies has proved to be a first class investment, and pays good and regular dividends; one is a mediocre sort of affair; whilst the third has turned out to be a rank failure.

Now, you clever investors, here is your chance to find out which company's shares are worth buying; which is the mediocre affair, and which the rank failure. Send us your opinion, and you will soon be satisfied that the terms of the prospectus give you no sufficient clue to the prospects of the company; you will then realise that it is impossible to judge an investment from this source alone.

There are many investors who do not even take this amount of trouble; they never by any chance judge for themselves, but simply go on buying what a stockbroker puts before them, and learn nothing save how to pocket losses without complaining.

It must be evident that this way of dealing with money cannot possibly succeed, and the reason why so much money is lost on stocks is to be found in the fact that many people go on for years in this careless and unintelligent fashion.

Yet, it is easy enough to adopt a different and infinitely more reasonable plan. When wishing to put out money, the investor should commence by asking himself what his real object in investing is.

(1) Does he want a safe unchanging income?

(2) Does he want a large income with fair capital stability?

(3) Does he want a small income with a growing capital value?

(4) Does he want a safely growing capital value without regard to income?

(5) Does he want to double or treble his capital with a risk?

(For full details of this classification see Chapter xxiii.)

Having satisfied himself as to his real desire, the next question he should ask himself is, which class of investment he should choose.

Does he prefer Government stocks, trading companies, railways, or mines? In fact, which of the 32 different classes of investments known to the London Stock Exchange would please him best?

If he does not know how these classifications are made, let him send 6d. to the publisher of the "Stock Exchange Official List," 4, Copthall Court, London, E.C., obtain a copy of the List, and then find out in which direction he would like to invest his money.

In every one of these classes he will find, by a little investigation, exactly the class of stocks he is looking for.

A great many persons invest in Government stocks and railway debentures simply because they imagine that these are the only classes of security in which absolute safety can be found; whilst others never take anything except mines, because they think that mines alone are able to give them a chance of doubling or trebling their capital. Both are mistaken.

There are absolute gambles to be found in Government stocks and in railway debentures just as there are absolutely safe investments, as safe, in fact, as Consols, to be found in mines.

Indeed, in every class of investment nearly all shades of safety and all chances of successful speculation can be found; and, therefore, the investor can have his money invested in exactly the sort of security he fancies, and yet possess the exact chances as to safety of capital or of dividend or of increase in capital value that he is looking for.

Let the would-be investor, then, choose one, two, or three classes of investment, and so narrow the field down to manageable limits; it will then remain for him to select his favourites in each class. Of course, in order to choose the most suitable out of each class, it will be necessary for the investor to understand the scope of each particular investment, and this he will find fully explained in the succeeding chapters.

Chapter II.

Outside Advice.

Many people have a notion that, because a man is a stockbroker, he must know, better than they, what to buy and what to sell.

Being in constant touch with the market, a stockbroker should, of course, know the momentary fluctuations in prices. He should know, too, what the immediate prospect is—how current events are likely to influence stocks.

But for the solid investor these ought to be secondary considerations. The primary consideration for him is whether an investment answers to his requirements, and is likely to produce the result desired by him.

The investor should always distinguish between the immediate prospects and the future prospects of any stock. In regard to its immediate prospects he ought to consult his stockbroker, but its future prospects depend on its worth, and this he can ascertain for himself.

The temporary immediate prospects are governed by political considerations, the state of the money market, the condition of trade, and the momentary attitude of the public towards investments. These conditions are constantly changing: they require, therefore, perpetual watching; and this attention is the business of the stockbroker.

The permanent future prospects, however, which should interest the investor to a much larger degree, are independent of these momentary extrinsic factors; they are governed by the nature of the investment, and they can be studied in one's own home much better than amidst the hurry-skurry of a stockbroker's office.

The stockbroker should be consulted by speculators who trade on the hourly changes of the market, but about the value of a stock he knows no more than anyone else, and not as much as the investor who takes the trouble to consult the authorities.

The stockbroker is, as it were, the officer of the watch who has to deal with temporary emergencies, but the investor himself must be the captain to lay the course and say how the ship is to be steered.

The professional stockbroker has, besides, to keep in touch with the variations of, perhaps, five hundred different stocks, whereas the investor is seldom interested in more than ten or fifteen stocks at one time. It stands to reason, therefore, that the investor should know more about his small field than the stockbroker can know about his large one.

Instead of acting on tips and rumours, and on shallow if not interested information, the investor should simply take the little book called "Duncans' Investment Tables" (published by Effingham Wilson, Royal Exchange, London, at a cost of 1/-), turn to the class of stocks which suits his fancy best, and, when he has made a selection on the lines of this book, let him effect his purchase. Having done so, let him treat the stock as we shall indicate hereafter, and he will be sure of making substantial profits.

We shall explain in due course exactly what we mean by substantial profit, which, of course, varies

in regard to each particular stock; but, for the moment, it is sufficient to point out that it is nearly always better to take a small profit than to wait for the chance of a big one.

By hunting after the shadow investors often lose sight of the substance.

By trying to take advantage of the daily fluctuations in prices, which may be called the shadow, the substance, which is the profit to be made by holding the stock, is often lost.

What difference does it make in the long run if an investor gains forty-five pounds or fifty pounds on any one stock, so long as he gains something? The forty-five pounds is the substance, the possible additional five pound note is the shadow; the investor should concentrate his attention on the substance and leave the shadow to the stock-jobber.

Trying to deal at the top of the market, an investor is tied, so to speak, to the apron strings of the stockbroker. The hourly fluctuations will soon befog his judgment; he will, inevitably, lose sight of main principles, become confused, and come to grief.

The investor who lays out his money properly and takes advantage of each substantial increase in capital value can make a very handsome income out of his investments, without in any way troubling himself about the daily fluctuations of the market.

Suppose an investor bought some Egyptian Guaranteed at 105, he should sell them at 108, no matter what the immediate prospects may be. It is true, Guaranteed might go to 110, but it is just as possible that they might slip back to 105. In the meantime, therefore, he should not hesitate to sell.

This is an instance of a transaction in which no advice is needed.

Egyptian Guaranteed are as safe as Consols; they are guaranteed by the English Government. They yield nearly 3 per cent. interest, and are therefore a good investment at the price. They have been as high as 110 and as low as 101 between 1896 and 1899, therefore at 105 they are under the average price, and should be bought for an investment. But should Egyptian Guaranteed rise to 108, though they are still a good investment, yet being three points above the average price, they are dear to the man who wants to add to his income.

Thirty pounds profit per thousand stock can be secured, and it should be taken promptly.

The investor who has carried out this transaction ought not to have bought Egyptian Guaranteed on rumour; he ought to have bought them because he found them both safe and cheap at £105 as an investment, but when they reach £108 he should take his profit and turn his attention to another deal.

This is a rough example of how all investments should be treated.

It is easy to ascertain the nature, history, and actual position of Egyptian Guaranteed: the investor has only to consult the "Stock Exchange Year Book" (price 31s. 6d.), or Burdett's "Official Intelligence" (price 42s.), or read up the particulars of 500 principal stocks with their highest and lowest prices and dividends contained in "Duncans' Investment Tables" (price 1s.), or glance each week at Duncans' "Market Report"—all easily accessible sources of information.

The reasoning that guided the operation cited above is simple and obvious; the truth imposes itself. The investor had, from first to last, his money invested in a first class stock: he drew 4 per cent. interest all the time, and made besides a fair and safe profit.

A few transactions of this sort will be quite sufficient to create self-confidence, and prove to the investor that he is much better off without an adviser at all. He must learn to rely simply on what he finds out for himself and knows to be true. The courage to disregard temporary fluctuations comes only from knowledge and experience.

Chapter III.

The Scope of Various Investments.

We will now explain how an investor can find out which stock offers absolute safety with unchanging dividends, which stock is likely to shew an increase in capital value, while paying dividends, and which stock is likely to double or treble in capital value.

If a physician prescribes a drug in order to cure a particular disease, the better known the action of the drug, the surer is he to accomplish a cure. A long time, years and years of experience, is necessary in order to foretell with certainty the action of a drug; and, in order to foretell the future of any stock, a long and known record is also necessary.

We must study the past of the stocks if we wish to gauge their future correctly. If there is a long record of prosperity to look back upon, and, if the business is non-speculative, we may reasonably conclude that the future will be equally successful. If, on the other hand, we find a chequered career of success and failure, it may be assumed that similar fluctuations will take place in the future.

For example, the Governments of England, France, Germany, and the United States of America have never made default on their loans; the Government stocks of these countries can therefore be taken as absolutely secure.

The Governments of Turkey, Greece, Mexico, and Brazil have made default; it is, therefore, possible that they will do so again.

Good English Railways have always paid interest on their Bonds; they are, therefore, safe. American and Foreign Railways have often made default; they offer, therefore, a speculative security. In this way the past enables the investor to foretell the future.

The history of all important stocks is compiled in "Burdett's Official Intelligence" and in "Skinner's Stock Exchange Year Book," whilst a condensed record of the information contained in either of these works, together with 15 years variation in prices and dividends declared, will be found in "Duncans' Investment Tables." One of these authorities ought to be consulted when studying any stock.

Now, let us consider what the record of a stock must be before it offers absolute safety for capital and interest.

In the case of loans, the safety of capital and interest entirely depends on the repute of the borrower. A glance at the authorities will shew which borrowers have always fulfilled their obligations and which have not.

In the case of stocks issued by public companies, their safety entirely depends upon their position in the capital account. An ordinary stock is immediately dependent on the earnings of the concern, whilst the Debenture stock, on which the dividends have to be paid in any event, is not so dependent.

The best way to ascertain the safety of capital and dividends in such cases is to take the total nett earnings of a concern and compare them with the amount necessary for the service of a particular security, always taking into consideration the position of such security in the capital account.

The interest on Debentures has always to be provided for first, on Guaranteed shares second, on Preference shares third, on Ordinary shares fourth, and on Deferred shares last.

Suppose the nett earnings of a concern are £20,000 per annum, and the service of the security in question, which comes first, requires only £4,000, then a surplus of £16,000 is shewn, and the investment may be assumed to be absolutely safe.

The smaller the surplus the less safe the stock; whenever the surplus is large the capital is well secured; whenever it is small, the capital is not likely to be as safe.

We now pass to the second class, viz.:—to those stocks which are likely to shew an increase in capital value while paying dividends.

It is clear that such stocks must belong to a steadily growing business of a non-speculative nature. For instance, a railway with growing traffic receipts like the Great Eastern, or a railway with fine prospects like the Canadian Pacific, may be included in this class of business.

Sound commercial undertakings, not yet in full working order, and Mortgage Debentures on railways not fully developed can be included. Above all, the business should always be of a non-speculative nature, and not subject to fashion; the increase in revenue should be steady, and not by leaps and bounds.

Most people will now ask impatiently, "How are we to find out the stocks which will double or treble in capital value?" Of course, the desire to double or treble one's capital is a very general desire, and the opportunities to do so are not easily discovered; but, even here, experience and judgment are oftener right than an outsider would imagine.

Let us look at the matter from the point of view of experience.

The first and most important point to remember is that history in stocks usually repeats itself.

If a stock has once been at a very high figure and has dropped, it is probable, or at least possible, that it will go back to the high level sooner or later, if the business shews real vitality.

Take, for example, the case of the Canadian Pacific; this stock stood at 75 in 1886, dropped to 49 in 1889, rose again to 97 in 1892, dropped to 35 in 1895, and steadily rose again to over 100 in 1899. Here is a stock which has been over 70 and under 50 twice; and, when in 1889 it started going up again to over 60, it was a good time to buy with a view of a large increase in capital value.

We will now instance a stock which has yet to rise and is likely to do so.

The Brazilian 1889 Loan stood originally as high as 83; it dropped to 49 in 1891; rose again to 80 in 1895; fell to under 50 in 1898, and is at present quoted at about 65.

This fluctuation in prices, or rather this attempt of the stock to regain its former high price, is a sign of great vitality. Brazil is a rich country, a country which can hardly remain under a cloud indefinitely. Here is, therefore, a stock which at the time of writing offers chances for a large increase in capital value.

Another stock of this kind is Great Central Preferred Ordinary, which was quoted at 107 in 1893, and fell to 57 in 1898, and now stands at 34. It seems probable that in no remote future there will be a considerable rise in the price of this security.

The above examples should serve to illustrate the theory. Of course, when stocks of this sort are bought the investor should not sit with folded hands waiting for the rise to the expected level, but should take advantage, as we shall presently explain, of the

intermediate changes that may occur from time to time; but the above are instances of the way stocks should be judged by their past.

Much more striking examples of a similar kind could be discovered in a more speculative department, such as the Mining Market; Crown Reefs, for example, rose from $8\frac{3}{4}$ in 1897 to 20 in 1899, and they now stand at 13. East Rand shares rose from $\frac{9}{16}$ in 1894 to £12 in 1895, fell to 30s. per share in 1897, and are now quoted at £6 10s. per share.

To sum up, a stock is safe in regard to both capital and interest if the total nett earnings of the concern largely exceed the amount necessary to provide the dividends, and if, at the same time, the business is non-speculative and the record one of steady prosperity for some years past.

A stock is likely to increase in dividend and capital value if the business of the concern shews a slow but steady progress. Of course, on stocks of this class investors usually receive a low rate of interest, but are more than recouped by the increase in capital value.

A stock is likely to double and treble in capital value if it can be bought much cheaper than its former selling price, and, if the business of the concern is still of a progressive nature.

The larger the ups and downs, the oftener they have occurred, the greater the chance that the stock will rise again.

We refrain from dealing with untried concerns, like new companies, as they give us no data to go upon, and, if ventures of this class turn out satisfactorily, it is more or less a matter of chance.

The above are merely the weather signs by which the future price of a stock can be foretold. We will now proceed to explain the value of stocks.

Chapter IV.

The Value of Stocks.

No one can go to market profitably unless he has a good idea of the value of the goods he is in search of.

Stocks are such a mercurial commodity, so full of contradictions, so liable to unaccountable changes, that the investor will find he has his work cut out if he wants the real value to agree with the actual money he has paid for the stock.

Let us illustrate by example.

Brighton Deferred Railway stock, at £168 per £100 nominal value, pays 4 per cent. on the capital invested, and if all the facts of the case—the balance sheets, the reports and traffic returns of the Company—were taken into consideration by an accountant, and carefully analysed and compared with similar facts about similar stocks, he would arrive at the conclusion that Brighton "A" is worth more than it is now selling at.

North British Ordinary stock at £40 per £100 stock only pays 2½ per cent. on the capital invested, and the dividends are liable to rapid changes. If the accountant were to use the same test as he did with Brighton "A", he would report the Company to be over-capitalised, and the stock very dear at the price.

The results of both valuations would most likely be that Brighton "A" would be put down as worth

about £205 per £100 stock, whilst it is selling at £168, and North British Ordinary about £30, whilst it sells at £40. Naturally, the investor would purchase Brighton "A" and sell his North British Ordinary.

Now, as a matter of fact, North British Ordinary at £40 is a much better purchase than Brighton "A" at £168, the former being a progressive stock, full of chances, and the dividend on the latter being somewhat precarious.

Here is a nice state of affairs! How is the poor investor to find out what is cheap when a professional accountant with all the facts and figures before him may arrive at a wrong result?

The answer is simple. There is no real value in stocks. The price depends upon the supply and demand of the moment.

Go to a fishmonger and ask him the real value of soles, and his answer will probably be that sometimes they are very dear at 1s. per lb., whilst at other times they are cheap at 2s. per lb.

Even a staple commodity like coal has its summer and winter prices, which vary according to supply and demand. Knowing, therefore, that the real value of stock cannot be ascertained, how is one to decide whether the price asked is high or low?

The only guide is the value inherent in the stock itself, coupled with its relative position to other stocks of the same class.

If you want to know whether oats are cheap or dear at the market price, you take the market price for the moment, compare it with the usual price paid for the commodity, and so obtain your answer.

The usual price is ascertained by taking the average selling price over a number of years, and this average selling price is the true valuation; we shall, therefore, call it the "inherent value."

If oats begin to be very dear, beans, maize and other cereals are used temporarily as substitutes for oats. The use of these substitutes lessens the demand for oats. The pressure of buyers decreases, and gradually, with new supplies, oats fall back to their usual level.

The failure of a crop will cause dearth ; a new source of supply will cause an overplus in the market ; but time wears down all these causes, and every commodity invariably tends to return to its inherent value.

We think the above to be a homely and clear example, which, once understood and applied, always enables the investor to value his stocks.

Take, as an instance, North Eastern and Great Western. By calculating from "Duncans' Investment Tables" the average price of these two stocks over a period of 10 years, we find the inherent value of North Eastern to be 167, and that of Great Western to be 165½.

In 1896 Great Western went as high as 187. The number of buyers then fell away, and the stock stands to-day at 162½. Great Western was the oats, and owing to the high price investors turned to North Eastern, the beans.

The result of this manœuvre is that North Eastern went well over, and stands now above, its inherent, value, whilst Great Western is in an exactly opposite position.

To recapitulate :—To ascertain the inherent value of a stock, take the average price for a number of years, and compare this with the position it occupies relative to the average price of other stocks of the same class during the same period ; then compare the result with the actual market price of the moment, and you unfailingly find out whether the stock is cheap or dear.

Some readers may conclude from the above argument that prior to purchasing a stock, its inherent value should always be ascertained, and that stocks should never be bought when the ruling market price is above the so ascertained inherent value.

This, however, is not the case, as it is often profitable to buy a stock above its inherent value.

Let us again take the oats example. Supposing the average value of oats to be 18s. per quarter, and that, through a failure in the crop, they commence to rise and stand at, say, 20s. It is known that, prior to substitutes becoming profitable, the price must still further rise, and, as the demand is likely to cause this rise, a speculator would reason that oats are sure to go higher than 20s. He would, therefore, buy.

This would be sound reasoning, reasoning which often enables profits to be secured in spite of the purchase price being above the inherent value.

In every such instance the investor must take care to finish his operation and to make his profit prior to the removal of the cause of the temporary rise.

Supposing he waits with his oats until next year's crop, and this crop turns out to be very good, then, though his original calculation was well founded, he would ultimately have to sell at a loss.

Should he be able to consume the oats profitably at the price which he paid for them, then, of course, even that event would not matter to him.

In other words, whenever a stock is bought for temporary speculation, the inherent value thereof is immaterial. But, whenever such temporary speculation does not turn out satisfactory, the inherent value ought to be considered, and the stock only taken up if its inherent value is below the price obtainable after the operation has proved a failure.

In all such cases the first loss is the best, as permanently holding stocks bought above their inherent value is an unsound policy. But, when the price can be reduced through averaging, as hereafter explained, the loss is in many instances averted.

Chapter V.

The time to Buy.

THERE being no fixed values for stocks it is needless to calculate dividends or consider balance sheets and directors' reports, in order to find out when a stock can be bought with advantage.

We have shewn that such reasonings may be worse than useless.

Pains-taking novices sometimes discover splendid bargains. They study the Investors' Manual and find that there are lots of securities which pay from 10 to 30 per cent. per annum, or, by reading reports, they discover that some non-dividend paying stock ought on its merits to be selling at double its present price.

Usually they buy, and lose their money for their pains.

They forget that there is an army of Bankers, Brokers, and Jobbers watching stocks from moment to moment, and that easy chances like this are soon snapped up. For these apparent anomalies there are always some hidden reasons which the uninitiated cannot discern.

If this were not so, how is it possible to explain the fact that nearly all the English Railway stocks pay within a fraction of $3\frac{1}{4}$ per cent. interest, whilst in Foreign Government Bonds the rate of interest varies from 3 per cent. to 10 per cent?

The reason, of course, is simple; there are no wild-cat schemes in English Railway stocks, while many exist in Foreign Government Bonds.

English Railway stocks once established on dividend-paying lines usually remain safe. Foreign Loans may pay a splendid interest for a while, and suddenly stop paying for ever.

For these reasons, the novice who hunts for bargains often has the experience of the amateur who for the first time buys a horse.

Every known stock with a free market has, as we have shewn in the preceding chapter, an inherent value, which can be ascertained by a very simple calculation; and this inherent value is sufficient to guide the investor, as it is the value which the investment world has put upon the stock.

It is useless to fight the whole investment world. One might shout from the housetops, and use buckets of printers' ink in proclaiming that Chatham and Dover stock is absolutely valueless, all to no end. Theoretically this is so, but that would not change the fact that the stock usually sells at about 4s. in the pound, the price fluctuating from 5s. 6d. in the pound to 3s. in the pound on the nominal value.

Should anyone try to persuade the investment world that Venezuela Government Loan is a first class investment, because it returns 10 per cent. interest at present prices, he might succeed in raising the price for a time, but in the long run it would be sure to slip back again.

One must, therefore, consider the value which the investment world puts on a stock when calculating whether it is time to buy.

We may say shortly that the time to buy is—

(1) When the inherent value compares favourably with the price asked for the stock.

(2) When there is a movement on foot by which the price of the security is likely to be forced up beyond its inherent value.

Just as a bad crop will temporarily force up the price of oats, so stocks are sometimes similarly influenced.

The best recent example of this sort can be found in the movement of Copper shares.

During 1898 and 1899 a large syndicate became convinced that copper was selling too cheap, and started making a corner in copper mines in order to control the copper market, and the price of the metal was raised from an average of £55 per ton in 1898 to an average of £73 per ton in 1899.

Naturally, the price of copper shares followed suit. Rio Tintos rose from an average of £28 per share in 1898 to over £50 per share in 1899, and other copper shares showed a similar advance.

A bad crop of oats causes the price to rise, and, in copper, a syndicate has had the same result. Both are removable causes; a good crop or a failure of the syndicate will allow prices to return to their normal level.

In January, 1899, Rio Tintos sold at £33 per share and were then much above their inherent value, yet it certainly was good business to buy that share at the time; similar chances occur in other stocks.

Investors are almost sure to be right when the price they pay is under the inherent value. But, they should not buy a security which is selling above its inherent value, before they have ascertained the reason and used their judgment in the matter.

They should never buy a stock which they intend to keep for a long time, if they have to pay more than the inherent value for it.

The above arguments apply only to stocks which are freely dealt in, daily discussed in newspapers and constantly watched by the market; they do not apply to investments without free markets.

There are, at least, 5,000 companies of a miscellaneous class on the British market which do not attract any share of public attention.

Often they include large and highly remunerative concerns, which for some reason or other have never come into the real market. Many of these are quoted on the London and Provincial exchanges, yet they have not, so to speak, caught the eye of the investing public.

Securities of this class have no "inherent value" as we ascertain it, and they can only be judged from the dividends which they pay and the reports and balance sheets which they issue.

It follows that holders of these securities are very badly off, as there is no one to do their work for them, and they must study the balance sheets and reports for themselves.

A holder of London and North Western Railway Stock, or of any other large stock with a free market, need, practically, never look at the balance sheet of the Company or trouble himself about a report. If he wants to know how his investment is getting on, he need only look at a daily paper, and the price of the moment will give him the necessary information.

There are hundreds of professional operators, who study daily the past, present and future of a stock like London and North Western Ordinary, whose prospects and results are therefore always correctly reflected in the price.

Shareholders of miscellaneous concerns have no such guide; their stocks are not daily advertised, or watched by hundreds of professional bargain seekers,

they must, therefore, judge for themselves and find out the true state of affairs, if, indeed, this is possible.

If London and North Western stock is offered on the market, there are always people ready to buy it. For miscellaneous securities, there may sometimes be a few buyers and sometimes none, and securities of this sort are often, therefore, unduly depressed, without rhyme or reason.

Very often neither the dividend paid, nor the price, nor any ordinary source of information, shews in any way the true position of the investment.

Many such companies pay large dividends for a time, then suddenly stop. If the eye of the professional investor and Jobber had been on these securities, the cause leading to loss would have been discerned long ago and would have been gradually reflected in the price, the investor thereby getting some warning. As it is, he has no such warning, only a sudden and rude awakening.

For an example, take the case of Eastman's Ordinary shares. This company was brought out with a capital of £1,215,000, and paid dividends at the rate of 10 per cent. and 20 per cent. The dividends suddenly stopped and none have since been paid, and the shareholders lost all their money, almost without warning. The price of Eastmans stood at £22 per share prior to the failure in dividend, and dropped to under £4 after this fact became known.

Again, let us take the case of Young's Paraffin, Limited. This company was brought out in 1866, and paid good dividends for a long time up to 1892, when the dividend dropped from 7 per cent. to 2½ per cent., the value of the shares decreasing without any warning just as suddenly and rapidly. Hundreds of similar examples could be cited.

We cannot quite understand why investors hold this class of security, unless they obtain a large compensation in the shape of dividends and safety of capital for the additional trouble and anxiety they are put to.

To hold miscellaneous securities and to neglect to study the Balance-Sheets and Reports is perfectly suicidal, the investor as a rule coming in for all the drawbacks and none of the advantages.

With old-established companies, under the eyes of the market, such cases are impossible. Why, therefore, court disaster by holding uncertainties ?

Chapter VI.

The time to Sell.

WHENEVER an investor has a good profit on his stock, he ought to sell it, unless there is some grave and special reason why the stock is likely to still further increase in price.

These reasons should not be of a general kind; they must be sound and strong, otherwise the profits ought to be secured.

However strange it may seem to the uninitiated, it is frequently very difficult to get an investor to take his profit, that is to change a paper profit into sovereigns.

Every careful student of this book, who follows the advice given in it will find himself in the position of always buying when the investing world is selling, and of always selling when other people are anxious to buy.

It is the large selling of others, for reasons which have nothing to do with the stock itself, which causes a depression, brings the stock below its inherent value, and, therefore, gives an opportunity to all careful investors to buy, as explained in the preceding chapter.

For example, America was at war with Spain; the Spanish were getting the worst of it; the professional manipulators of stocks made a strong

attack upon Spanish Government securities and succeeded in depressing the bonds, say £10 per £100 nominal value. Thoughtless investors, or those who don't understand the principles advocated in this book, became frightened, and sold their stock hand over fist, but the quiet and thoughtful investor, who grasped these principles, and thoroughly understood what inherent value meant, discovered that Spanish Bonds were selling much below their inherent value He, therefore, took no heed of war rumours, as he knew that the severest fighting must some day end, that history must repeat itself, and that, sooner or later, Spanish Bonds were bound to go back to their original level. He started buying, therefore, just at the time when all other people were rushing to sell.

Now let us take the other side. There is an International Exhibition in Paris. The Chatham and Dover and South Eastern Railways make extraordinary traffic receipts; the professional manipulators utilise these returns for the purpose of raising the price above its value. The newspapers busy themselves by predicting large dividends; a number of new investors are attracted to the stock, a large amount of purchases are made; the stock begins to be in great demand, and rises rapidly.

The thoughtful holder of the above stocks, who has mastered this book, and thoroughly understands the inherent value of his stocks, finds Chatham and Dover stock much above its inherent value; he reasons, justly, that the Exhibition will not last for ever, and that in the long run the stock is bound to sink back to its normal level. He is, therefore, selling Chatham and Dover stock at the very time when all other people are buying it.

To do something contrary to the fashion of the moment, to act differently to the mass of investors,

requires a strong conviction that one's arguments are correct, and, therefore, entails a severe effort. It is very necessary, therefore, for the investor thoroughly to infuse himself with the unfailing theory of inherent value, and to realise that history, in nine cases out of ten, is certain to repeat itself.

As a general rule, exactly the reverse reasons and calculations are needed for selling as for buying.

Stocks should always be sold when they are above their inherent value, but especially they should always be sold when that can be done at a good profit.

A man who bought Egyptian Unified at 104, and sees them at 109, has indisputably a profit of £50 on every £1,000 stock which he holds, but, as long as the stock has not been actually sold, this is only a paper profit liable to disappear or change into a loss at any moment.

We can give hundreds of examples where stocks have risen and fallen again to the same level, but a few illustrations taken from miscellaneous markets will suffice.

In 1897, Egypt. Unif. rose from 104 to 109, fell to 105½ in 1898, then rose to 110½—
Price, 1899, 104.

„ Caledonian Def. „ 52½ „ 61¼, „ 50 „ „ 59½—
Price, 1899, 51.

„ Mexican 1st Pref. „ 66⅛ „ 87, „ 68 „ „ 84—
Price, 1899, 85.

„ Rand Mines „ 15 „ 35, „ 25 „ „ 35—
Price, 1899, 32.

Every one of the above changes in price could have been utilised by holders of the stocks.

How this can be accomplished is fully illustrated in the second part of this book.

Investors who want to make money safely and rapidly will find that utilising the changes in value of the stocks, which they actually hold, is the best means of accomplishing this desire.

Chapter VII.

Stocks for Permanent Holding.

Just as a plain woman sometimes looks quite pretty in the evening when handsomely dressed and set off by the soft glow of rose-shaded candles, so do bad and speculative stocks often seem attractive, from an investor's point of view, when pushed up in price by manipulators, and shewn off by newspaper people and by glowing market articles.

The Manchester Ship Canal may here serve as an illustration. Just as a woman has her good and bad days, so this investment was at times in great request; but both, when carefully examined in the cold gray light of the morning, leave a good deal to be desired.

Non-dividend paying securities of no value, such as Metropolitan Districts, Chatham Ordinary, the numerous Grand Trunk issues, and low-priced American stocks come in for a good deal of this sort of limelight illumination, and many investors under this influence put them much above the true price.

The professional stock manipulators are, as a rule, the directors of the limelight; they start the upward movement, induce newspaper comments, and sell by these means a lot of stock to the public which they themselves have bought at a low price.

As soon as the limelight is withdrawn the worthless stock falls down to its former level.

Take the case of the enormous rise in American Railway stocks during 1898-99. Nearly every stock doubled and trebled its value, but Erie Ordinary, Missouri Common, Reading Ordinary, and also Wabash Pref. remained dormant.

Erie Ordinary are priced lower than Ontario. For choice, however, we would rather have the former than the latter share. Yet Ontario rose from 13 to nearly 30, whilst Erie stock actually fell, and, at all events, never took any active part in the upward movement.

The limelight was playing on Ontarios, but there was no illumination for Eries.

It would have been first-class business to buy Ontario at 27 and sell them at 29, but we should be sorry for the investor who bought Ontario at 27 with the idea of holding them for a considerable time.

One of these days the lamps will go out, and in the cold gray light of the future Ontarios are sure to drop to 17 again.

The reader must not think that these remarks apply only to non-dividend paying securities; they apply equally to all classes of stocks.

When Consols rose to 114, it seemed that their price was on an endless up-grade, yet their intrinsic value remained at 104 in 1899.

The investor who wants to make money should take great care never to lose sight of a stock which he has bought above its inherent value. He must look upon it as a charwoman engaged for a job, not to be confounded with the old family servant. Just as it is sometimes necessary to call in additional help in a household, so it is sometimes profitable to buy a stock above its inherent value, and hold it for a short time. But do not put it away in your safe or strong box; do not forget it, or you may have a very bad quarter of an hour later on.

Only stocks bought at or below the inherent value should be held for any length of time, and, if properly chosen, they will always behave like good and valuable servants.

Whenever stocks are bought for a quick rise, it is useless to consider their inherent value in any way. One often takes a charwoman on the slightest recommendation, and would never dream of taking up her reference, whilst one does not engage a butler on the same principle.

All prejudice as to the class of stock is absurd; no character is wanted, but, if the speculation turns out badly cut your loss, and, above all, don't take the stock up.

Chapter VIII.

Heavy Losses turned into Large Profits.

However good one's calculation as to inherent value may be, it will often happen that, after a stock has been bought, instead of rising it will fall in price and shew the investor a large loss.

This is inevitable; no one can make certain of a good selection; but it should be remembered that, while failures require attention, successes take care of themselves and usually occur almost unnoticed.

There is no difficulty in dealing with a lucky transaction, but the investor who understands how to turn evil into good, how to convert a transaction which shews a heavy loss into one shewing a large profit, is the man who is sure to succeed.

According to an old adage, no one can make a silk purse out of a sow's ear. A purchase which was originally bad, which was not made on the plan explained in this book, and which ultimately shews a large loss, should be got rid of; it is the sow's ear of the proverb.

If a bad new company is artificially pushed by the promoters, and the stock bought by the investor at a premium, it would be foolhardy to try to make the transaction profitable. The investor who has been induced to enter into a transaction of this sort will find it better to put up with his loss than to try to save the situation by throwing good money after bad.

It is frequently profitable, as we have shewn, to buy stocks above the inherent value, but in every instance the investor should realise his position and treat his purchase gingerly.

It was good business to buy Rio Tinto Copper shares in 1899 at £45 per share, as they rose to over £50 in the same year; but if, on the other hand, the stock had fallen largely instead of rising, it would have been foolhardy to try to save the situation, as the inherent value of Rio Tinto in 1899 only amounted to about £30 per share.

On the other hand, let us take the case of Spanish bonds at the time of the Spanish-American war. The inherent value of Spanish for five years before the war was 64½. The price had never fallen below 56 and had been as high as 78¼, inclining generally to the higher rather than the lower figure. During the war they fell to 30½ in April and to 29⅝ in May, 1898.

It would have been excellent business to buy this stock at 30, or 40, or 50, for its inherent value was sure to assert itself in time.

The principle to be adopted in order to prevent a loss on properly purchased stocks is to try and keep all one's holdings as near to the actual market price at the moment as possible.

On active investments where the investor is getting the full value for his money, and making the most of his opportunities, the stocks should be kept within 1 to 4 points of the market quotation, whilst slower minded investors who are satisfied to make changes rarely, and investors who only occasionally take profits when they offer, should keep the same investments within 5 to 10 points of the market price.

Whenever a stock is permitted to move more than 10 points either way, the investor is following a suicidal policy, which is sure to entail bad results.

Of course, the amount of variation to be allowed is entirely relative to the nature of the stocks held. There are stocks moving several points at a time, and with a wide quotation, which it would be inadvisable to try to keep within so little as 4 points of the market price. In the case of other stocks, with narrow quotations and fluctuations, such as Chatham Ordinary, the price may be kept within a fraction of the market quotation.

It may be asked, "How is it possible always to keep one's investments as close to the actual market quotations as above indicated?"

The procedure is as follows. All stocks which shew an adequate profit should be sold, as explained in the preceding chapter; therefore, as far as the upward movement is concerned, there is no difficulty.

All stocks which shew a loss should be averaged as soon as an adequate fall has taken place.

Suppose an investor, after finding out that the inherent value of Great Western Ordinary stock for the time was 170, bought some of this stock at 171, being induced to pay the 1 per cent. over the inherent value on account of the solidity of the investment.

This investor is probably a prudent man; he does not want to make a large sum of money; he goes on a safe, slow principle, and manipulates a stock like Great Western only when it will move, say, 6 per cent. either way.

The stock falls to 165, and the time for manipulation has arrived. The investor now proceeds to double his holding at the lower price.

He bought £1,000 stock at 171, costing	£1,710
He added £1,000 stock at 165, costing	£1,650
Price of £2,000 Great Western	£3,360

or at the rate of £168 per £100 stock on the average.

The original price was 171, the average price now stands at 168, the momentary market price is 165, the inherent value was £170, therefore the stock is now held below its inherent value, and within 3 per cent. of the market price.

Suppose the price should continue to fall, and come as low as 162, the investor now has his stock again 6 points above the market price, and he therefore repeats the operation.

He holds £2,000 at 168, costing him £3,360
He buys £2,000 more at 162, costing £3,240

This £4,000 stock therefore cost ... £6,600
his average price now being 165, or 5 per cent. below the inherent value, and within 3 per cent. of the market price.

If, on the other hand, the stock had not fallen, but had risen to 171, after the second purchase had been made, then the account would stand if closed at 171—

£2,000 stock cost at an average of 168 £3,360
£2,000 stock sold at 171 realises ... £3,420

Net profit ... £60

while if the original holding had been sold at 165 instead of averaged there would have been a loss of £60.

The difference between a profit of £60 and a loss of £60 is not £60, as some imagine, but £120. A loss has thus been turned into a profit.

The arguments which will be advanced against this procedure no doubt will be: Firstly, suppose the stock drops to nothing, how is the investor to save himself? Secondly, how is the investor to find all the money necessary for averaging?

Let us meet both these arguments.

In the first place, a stock which has an inherent value cannot possibly drop to nothing. A new company's shares may drop to nothing, but their

inherent value cannot be calculated, as there are no statistics to go upon, and, therefore, this case would not apply. The price of a mining share which has risen, like Hannan's Brownhill Extended, from 5s. to £7 in 1899, might go to nothing; its inherent value was only 9s. in 1899, and, therefore, if bought above 9s. it is not in the class which should be treated as above explained.

A solid investment, a stock with a history, a stock of which the inherent value is calculable, never drops to nothing.

Frequently in history good stocks have been largely depressed; take, for example, an investment like New York Central, which fell to 90 per $100 in recent years, whilst at that very time 110 was its inherent value; Argentine, 1886, fell to 66, whilst its inherent value was £85. Both these stocks have recovered, and in every similar case the inherent value has asserted itself.

No stock which has an inherent value, and has been purchased near its inherent value, can ever go to nothing; no such stock is likely to make a permanent loss if treated as explained in this book.

Of course, if an investor has a capital of £6,000 at command and buys £2,000 worth of three stocks, or, worse still, £3,000 worth of two stocks, then it may happen that he will get out of his depth; but a sensible investor does not go to work in this way.

He would buy £600 worth of 10 different stocks, or, better still, £400 of 15 different stocks.

It is most improbable that 15 different well chosen stocks spread over several markets should all shew a large loss at the same time. No; some are likely to go to a profit long before it becomes necessary to average the others.

In the case, therefore, of such an investment list, whenever the time for averaging arrives, some stocks

shewing a profit can be sold in order to provide the purchase-money for the stock that requires to be averaged.

In many instances it is even profitable to sell a stock which shews a slight loss, when by so doing another stock can be profitably averaged.

By treating one's capital in the manner just suggested, averaging can be repeated many times, but seldom needs to be repeated more than once or twice, for a stock hardly ever moves straight up or straight down. For example, the investor who averaged Great Western a second time, as above explained, at 162, now held £4,000 stock. The stock, having fallen 9 points below its former price, was now far more likely to rise than fall further.

Suppose this rise should only be 2 points and the stock be then standing at 164, the investor should now sell.

£3,000 stock at 164 realising £4,920
His £4,000 cost him ... £6,600;

he is, therefore, left with £1,000 stock which cost him £1,680, £30 less than he originally paid, and within 2 points of the limit before he would have to average again.

This is the worst imaginable case; the investor has been most unlucky, his stock has dropped 9 points; but by a little clever manipulation, without any additional outlay, the investor has brought it within his limits of the market price.

Should it ever happen that the investor requires capital for the purpose of carrying out a transaction of this sort, a loan can easily be arranged so long as his investments are properly chosen.

There is a dislike in the minds of some investors to work with other people's money.

Those who live on credit, or who, in the ordinary sense of the word, borrow money for the purposes of their business, are not considered as safe, from a commercial point of view, as those who pay their own cash for everything.

This is natural, and holds good of all the ordinary walks of life; but wherever the manipulation of invested capital is discussed, such considerations do not apply.

The London and Westminster Bank has a paid-up capital of £2,800,000 and yet its indebtedness amounts to £30,423,886. The National Provincial Bank of England has a paid-up capital of £3,000,000, and yet it owes £49,964,434 to its customers on deposit.

It is a well-known fact that if the Bank of England were called upon to meet all its liabilities in gold, it could not at certain periods of the year pay 4/- in the pound on each £5 note issued, and yet the Governors promise to pay £5 in gold on demand.

Anyone who would suggest that these three institutions did not do their business in a solid and safe-going manner, would be considered foolish.

The great principle of financial institutions is to work with other people's money. Why, therefore, should not the ordinary investor follow this adopted and well-understood principle for the purpose of furthering his own operations?

Well chosen stocks are not like other commodities. Landed property or merchandise may become unsaleable for a time, but stocks with an inherent value always command a ready market.

Anyone borrowing on houses or goods may, therefore, suddenly find himself in a difficulty. The case is different with those borrowing on sound stocks, and this is the reason why the Governors

of the Bank of England have no fear in constantly undertaking, what they know they cannot carry out on call without outside aid.

Take the case of the £1,000 Great Western stock bought at 171 and costing £1,710. Most Banks would be anxious to lend within 15 per cent. of the market price on a stock like Great Western at any time. At the time of purchase, therefore, £1,560 could have been immediately borrowed on this stock. In other words, £150 would have sufficed to take the stock off the market, and, therefore, with the capital of £1,710 which the investor is supposed to invest at the time of purchase, he could really take up with ease £11,000 of stock.

Fifteen per cent. may seem a small margin to some people. Yet the usual terms of London Bankers are to finance stocks within 10 per cent. of the market price.

In the example of averaging Great Western the purchaser bought £4,000 stock in all. He had, therefore, a margin of 25 per cent.

A prudent investor, also, never puts more than one-tenth of his capital into any one investment. Only a portion of his stocks may ever need averaging at one time, the rest remaining available as collateral security in case of need. The case, therefore, of an investor getting out of his depth through borrowing, so long as he follows the principles advocated above, need not be considered.

We shew, in the second part of this book, how an investor with a capital of £9,675 invested in 10 different securities, followed the principle of averaging through a period of four years, and his adventures prove how very rarely it becomes necessary in practice to work with other people's money, and how profitable the results are when such aid is invoked.

When money is borrowed from Bankers, they usually insist upon an immediate transfer of the stock into their name. This entails a large amount of trouble and expense. In order to overcome this difficulty, a system of purchasing stocks for forward delivery has been inaugurated by the authors of this book.

A purchase of stocks on the ordinary terms of the Stock Exchange hardly ever allows a sufficient time for the development of the operation. The forward delivery system, which will be found fully explained hereafter, entirely obviates all these difficulties, and in this way Duncans assist their customers in their operations on the principles advocated in this book.

We hope that we have now dispelled all the difficulties which seem to arise in attempting to turn heavy losses into large profits as explained by us.

All those who are not yet convinced should reserve their judgment until they have seen the practical working of the system as carried out in 10 different stocks in the second part of this book.

The true test of a captain's skill is the way in which he handles his ship during bad weather. Fair weather affords no test. In this book we disregard fair winds and persistently pilot the investor through bad financial storms. As our success is consistent, we feel sure that, given strict adherence to the principles we advocate, no practical case is ever likely to arise where similar tactics might not lead to similar results.

Chapter IX.

The Largest Income from Investments.

We have shewn in the preceding chapters the nature of investments, how they should be chosen, and how they move; and now we propose to shew how the largest income from investments is to be made.

Some people think that the initial investment of their money in a sound stock, which pays a good dividend, ends their labour, and that they are making the most of their money. Well knowing it to be impossible that all their investments should turn out right, they try to provide for a rainy day by purchasing a few speculative non-dividend paying securities with the hope of a large increase in capital value.

All the stocks so bought they hold for years, never taking any notice of the fluctuations, and they are rather surprised in the long run that the results are unsatisfactory.

At the end of each year they strike a balance, re-valuing their stocks at market price.

Sometimes the balance shews a large profit on the original investment, and they feel very pleased with themselves; but as years roll by this paper profit disappears, and they are very lucky if in the long run they have simply held their own whilst drawing scanty dividends.

The money invested in non-dividend paying securities has practically produced no profit of any kind, whilst entailing a dead loss in interest.

The most favourite nest-eggs of this sort are Chatham Ordinary, Great Central Deferred, Districts, low-priced American shares, and others.

Chatham Ordinary Railway stock has, to our certain knowledge, been bought by investors during the last 20 years at prices varying from £13 to £28 per £100 stock, but no matter what price the investor paid the result is the same in all cases—nothing has been made out of it.

Someone may argue that surely a man who bought the stock at 13 could sell it now at 26, and thereby more than double his capital, or make a large profit.

If he sold, he would; but he does not sell, and by holding on he will some day see his stock slip back to 13, and all his chances of profit lost.

He bought it with the idea of some unexpected development; he is waiting for the stock to pay a dividend and thereby become valuable.

This is the fallacy; he is just like a man who has the exclusive right of fishing over one part of a long river, and who, in order to increase the stock of fish in his preserve, does not fish at all; he forgets that there are others both above and below him who have equal fishing rights on the same river and who are not as foolish as he, but catch every fish that comes to their net.

A railway stock is just like such a river: if all holders of fishing rights on the same river would resolve that no one is to fish for a time, most likely the stock of fish would increase; and, if all holders of railway stock were to resolve not to deal in a stock, but hold it, fluctuations would cease, and the value increase on intrinsic merits alone.

But railway shareholders do not combine; some fish while others do not, and the result is that some have profits whilst others have none.

If Chatham Ordinary stock were selling on its merits and value, the quotation of the stock would be nearer £5 than £20 per £100 stock; it is the fishing right which gives it its present value of £26 per £100 stock, and the man who does not sell the stock when it is high and buy it back when it is low, is just like the man who has a fishing right, but does not use it, so that the stock of fishes may increase in number.

In order to give a clear proof of the correctness of this argument, we compare in the next part of this book the efforts of two investors who both started with the same amount of capital, and both bought at the outset identically the same class of stock.

The one man, however, held his stock simply for dividends, and, hoping that the stock might improve in value, never changed his investment: the other took every opportunity which offered of making a profit. The results speak for themselves.

Part 2.

THE PRACTICAL TREATMENT OF STOCKS.

CHAPTER X.

Neglected Investments.

(**See Table 1, Page 52.**)

IN 1895 a careful conservative investor, whom for convenience we shall call "A," placed the sum of £9,675 (being the nearest practicable sum to an investment of £10,000) in the following securities:—

£1,000 New South Wales 3½ % at 101 cost	£1,010
£2,000 Illinois Central 4 % at 105, cost..	2,100
£2,000 Spanish 4 % at 72½, cost	1,450
£1,000 Brazilian 4 % at 76, cost	760
£1,000 Metropolitan District 5 % Pref. at 101, cost ..	1,010
£2,000 Great Central "A" at 28½, cost	570
£2,000 Chatham Ordinary stock at 18, cost	360
£1,000 Canadian Pacific at 60½, cost	605
£1,000 Mexican Rails 1st Pref. at 57, cost	570
10 Suez Canal shares at 124, cost	1,240
Total purchase-money	£9,675

Experts will admit that his stocks were carefully chosen. Safe securities predominated, low priced stocks, like Great Central "A" (then called Sheffield "A") and Chatham Ordinary, and promising stocks like Mexican Rail 1st Pref. and Canadian Pacific gave the whole list a speculative chance of increase in capital value, which would fully compensate for the low rate of interest yielded at the time of purchase on the whole investment.

At the beginning of each year "A" prepared a statement shewing the market value of his investments and the amount of dividends or interest which he had, during the previous twelve months, received on each stock. The following table shews the summarised result :—

Period.	Capital value at the commencement of each year.	Dividends received during the previous year.
1895	*£9,675	—
1896	£9,105	£285 8 2
1897	£9,625	£297 18 8
1898	£9,940	£322 11 0
1899	£9,580	£343 1 10

* Original purchase price.

The first year's result was unsatisfactory. The capital value decreased by £570, whilst the dividends received amounted to only £285 8s. 2d. "A", therefore, on balance lost £284 11s. 10d., and received no interest at all on his capital, a misfortune frequently occurring to investors.

The general balance taken over four years is more satisfactory, and proves that "A's" initial selection was good.

The stocks, with the exception of Spanish 4 per Cents., which had declined in value on account of the American-Spanish war, had well maintained their values. The dividends had steadily increased, and on the whole the capital value was well maintained. And yet the investor could not help feeling that the result had not quite fulfilled his expectations.

The greatest disappointments to him were his Great Central "A" and Chatham Ordinary holdings.

He had received no dividends on either, and on the first of these stocks had actually lost capital.

At one time he had a clear profit of £120 on his Chatham Ordinary, or 33 per cent. on the capital invested, but he did not take the opportunity to sell, and the chance disappeared.

Had the investor sold his stocks at fair prices during 1897, and had he placed the money realised on deposit, his capital account would have been better off at the beginning of 1898. He, however, followed the principle of never changing his investments, and that minor chance was also missed.

Most investors act as "A" did, but, unfortunately for themselves, their selection of investments is, only in rare instances, as good as "A's," and the results are, therefore, even less satisfactory.

Every investor should, in justice to himself, prepare once a year a statement similar to the one furnished by us in Table 1, page 52.

The process is very simple :—Find from any reliable newspaper what the investments held are worth, at the ruling market prices on the first working day of each year, and compare the total with the result arrived at by the same process the year before. In this way it is ascertained whether the capital has, during the period under review, increased or decreased in amount.

Should this procedure prove too much trouble to an investor let him send a list of his stocks to us, and we will keep him regularly posted.

In many instances the investor will find that the decrease in his capital during any one year is larger than the total dividends received by him on his investments during that year.

Whenever such a result is obtained the investor may be sure that his stocks want tending in order to prevent further disaster.

An investor who shrinks from looking ugly facts in the face is more foolish than the ostrich which hides its head in the sand in order to escape its enemy.

What would happen to a large business with many departments if no balance sheet of each department were prepared at the end of each year?

The business might seem prosperous as a whole; some departments might be making large profits, and yet the losses of other departments might cause money to be lost on balance.

It is only by ascertaining how every branch of the business has fared that unprofitable ventures can be discontinued and improvements introduced.

Investing money is a business. Every single investment is a department in that business. A statement like that of "A" on Table 1 shews at a glance the result of each department during the whole period. It discloses which investments are profitable and which unprofitable.

One hour's work at the end of each year suffices to prepare it, and no investor can hope for any satisfactory results in the long run unless he adopts this simple, clear and drastic analysis of his investment business.

Table 1.

"A's" Investment Account.

Showing the Changes in Value and Dividends realised during 1896 to 1899.

The Original Investment in 1895 on this Table is identical with Table 3. The value of "A's" investment in 1899 on this Table is £5713 less than on Table 3.

Investm'n' Number.		Original Purchase Money.	1896. Valuation Jan. 2.	1896. Dividends Received during 1895.	1897. Valuation Jan. 2.	1897. Dividends Received during 1896.	1898. Valuation Jan. 3.	1898. Dividends Received during 1897.	1899. Valuation Jan. 3.	1899. Dividends Received during 1898.
		£	£	£	£	£	£	£	£	£
1	£1000 ... New South Wales 3½% ... ... @ 101	1010	1045	33 16 8	1080	33 16 8	1110	33 16 8	1060	33 16 8
2	£2000 ... Illinois Central 4% ... ... @ 105	2100	2120	77 6 8	2080	77 6 8	2140	77 6 8	2130	77 6 8
3	£2000 ... Spanish 4% ... ... @ 72½	1450	1180	77 6 8	1220	77 6 8	1220	77 6 8	890	77 6 8
4	£1000 ... Brazilian 4% ... ... @ 76	760	660	38 13 4	685	38 13 4	612	38 13 4	565	38 13 4
5	£1000 ... Metropolitan District 5% Pref. ... @ 101	1010	900	21 15 0	980	29 0 0	1120	30 4 2	1050	32 12 6
6	£2000 ... Great Central "A" ... ... @ 28½	570	460	nil	500	nil	460	nil	420	nil
7	£2000 ... Chatham Ordinary... ... ... @ 18	360	300	nil	370	nil	380	nil	410	nil
8	£1000 ... Canadian Pacific ... ... @ 60½	605	525	7 5 0	580	16 18 4	848	24 3 4	875	43 10 0
9	£1000 ... Mexican 1st Preference ... ... @ 57	570	655	10 18 8	830	6 1 6	730	22 7 8	770	21 15 4
10	10 Shares Suez Canal ... ... @ 124	1240	1260	18 6 2	1300	18 15 6	1320	18 12 6	1410	18 0 8
	Total	£9675	£9105	£285 8 2	£9625	£297 18 8	£9940	£322 11 0	£9580	£343 1 10

(In this table New Year's Valuations only have been taken into account and intermediate fluctuations disregarded.)

Maximum Profit 3rd January, 1898 ... ... £265. Maximum Loss 2nd January, 1896 ... ... £570.

Average Dividend ... ... £312 4s. 10d. per annum on the £9675 originally invested.

CHAPTER XI.

The Proper Treatment of Stocks.

(See Chart 2, Page 56.)

THE mere revaluation of investments at the commencement of each year is wasted labour unless the proper deductions are made therefrom and used to advantage.

The most striking facts disclosed by such revaluations are, that stocks fluctuate considerably in value, that the fluctuation in price is much larger than the fluctuation in dividend, and that, therefore, if properly understood, these price fluctuations can be made to return larger incomes than the dividends themselves produce.

In "A's" annual statement the first working day of each year has been taken as a guide, and the fluctuations are, therefore, not so striking as they would be if, in each case, the highest and lowest record of the year had been taken.

Let us take the New South Wales $3\frac{1}{2}$ per Cent stock as an example. It was bought in 1895 at 101, and was valued in the 1896 statement at $104\frac{1}{2}$. The difference between the two prices was only £35, but during the same year this stock had reached as high a price as 109, and would at that valuation have shewn a difference of £80.

Illinois Central 4 per cent. Bonds cost 105, and some were carried at 106 to the 1896 account, a difference of 1 point only. A glance at Chart No 5 (page 72) shews that this stock had been as high as 112 during 1895, a difference of £140 on the amount of stock held, whilst the total dividend paid amounted to only £77 6s. 8d.

Similar results are shewn by all the 10 stocks held by "A." In order, therefore, to fully understand the revaluation at the end of each year, the record fluctuations—in other words the highest and lowest prices during that year—must be considered in conjunction with the same.

"A" took no notice of these fluctuations; he held his stocks for dividend purposes, and whilst perceiving the changes in value, did not profit by them.

His non-dividend paying stocks proved absolutely useless, whilst the speculative stocks, like Canadian Pacific and Mexican Railway 1st Pref., produced only a tithe of the profit which they might have yielded.

It is quite feasible to frame an Investment List of such a nature that temporary fluctuations may be disregarded. (*See Chapter XXIII.*) But such a list must, in no instance, include non-dividend paying stocks, or stocks which pay a very low rate of interest, like Metropolitan District 5 per cent. Pref.

An investor who has finally decided to hold his stocks without tending them, and to be satisfied with such dividends as they yield, must confine himself to stocks of a purely investment nature and as free from the speculative element as possible.

He must also give up all hope of increasing his capital unless he desires to jeopardise the safety and the dividend results of his investments.

"A's" selection was exceedingly good, and was capable of producing magnificent results. This we

shall prove hereafter. Such results, however, can only be attained by utilising the fluctuations in price which occur from time to time.

In order to clearly illustrate our meaning we append on Chart No. 2 the fluctuations which have taken place in Mexican Railway 1st Pref. stock during a period of three months.

On this Chart the horizontal lines denote the price, the vertical, the days of the month. The black zig-zag line gives the highest price recorded on each day, the red zig-zag line, the lowest price recorded on each day; the blue-coloured space between the black and red lines shews, therefore, the difference between each day's highest and each day's lowest price.

This stock starts at 77 (the middle price) on the 1st October, and finishes at 77 (the middle price) on the 31st December. In the meantime it has reached as low a quotation as 68 in the early part of November.

"A" though holding Mexican 1st Pref. stock throughout these fluctuations never took any notice of the same, and yet if he had sold this stock at 77 in October, and had repurchased at about 70 during the same month, he would, without disturbing his holding in any way, have made £70 on the transaction. His account would roughly read:—

"A" in a/c with W. W. DUNCAN & CO., LIMITED,
8 & 9, Waterloo Place, London, S.W. Stock & Share Dealers. (Established 1867.)

Dr.	£	s.	d.		*Cr.*	£	s.	d.
October 25th.—Bought £1,000 Mexican Rail. First Pref. at 70 ..	700	0	0		October 5th. — Sold £1,000 Mexican Rail. First Pref. at 77 ..	770	0	0
Balance (profit) ..	70	0	0					
	£770	0	0			£770	0	0

Balance due to "A" £70 0 0.

The original holding remains unaltered. His £1,000 stock has been sold and repurchased again, and £70 is the profit on this transaction.

The whole dividend paid on the stock during the year amounted to £21 15s. 4d. This one transaction, occupying only a few weeks, produces, therefore, a result more than three times as good as the whole year's dividend.

This simple example illustrates how money can be made by utilising fluctuations in the price of stocks. Now let us see what risk is incurred by entering into such a transaction.

The Mexican 1st Preference stock originally cost £570. We suggested its sale for £770, realising £200 more than the original outlay. Immediately after the sale the stock might have gone up very considerably, and might never have receded in price again. Such a contingency is possible, but not probable.

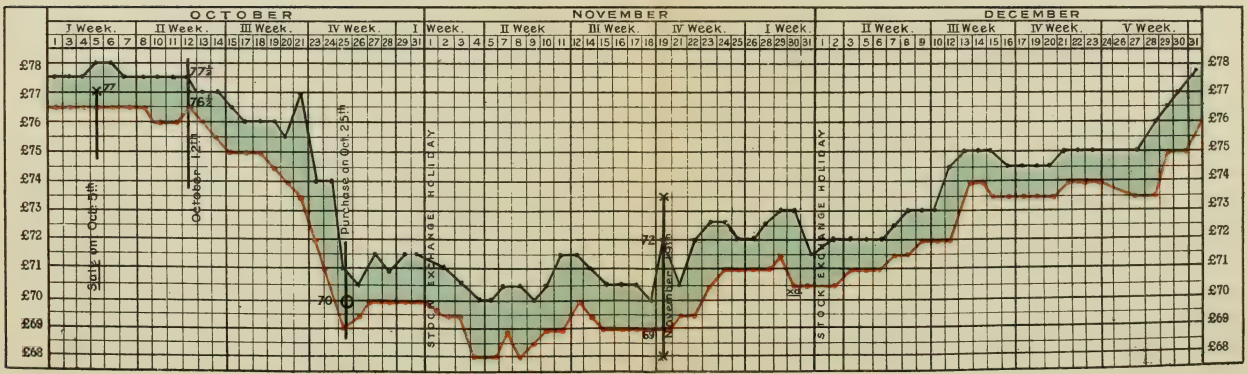
We give in subsequent chapters similar Charts to the Mexican Railway 1st Pref. Chart. These embrace all "A's" stocks for the whole period of the four years under contemplation. In no instance does it occur that a stock sold could not be repurchased advantageously. It may, therefore, be assumed that the contingency of not being able to buy back in course of time, need not be considered.

We have purposely chosen for the Mexican Railway Chart the last three months of 1898, as the price of the stock is the same at the beginning and end of that period, and this makes the illustration very clear.

Had "A" utilised the fluctuation, he would have held the same amount of stock on the 31st December as on the 1st October, whilst £70 would have been

MEXICAN RAILWAY 1ST PREFERENCE STOCK.

Chart No. 2.



added to his banking account. As it was, he did nothing, and his income suffered accordingly.

Some reader may think the above an isolated case which ought not to be used for general deductions. This is not so. The succeeding chapters shew how every one of the stocks held by "A" could have been treated in the same way, and what the results would then have been.

We counsel our readers to carefully study the preceding example, and to thoroughly grasp its meaning before further perusal of this book, as it illustrates the principle upon which the best and most satisfactory results from dealing in stocks are to be attained.

Chapter XII.

The Results of Proper Treatment of Stocks.

(See Table 3, Page 64.)

INVESTORS, instead of confining their attention to dividend and interest alone, should utilise the fluctuations in the prices of their investments.

The simple example, given in the preceding chapter, shews that one single transaction in Mexican Railway 1st Pref., occupying only a few weeks, produced a larger profit than the whole year's dividend.

This is no isolated case. The 10 stocks held by "A," similarly treated, could have yielded a total profit of over £5,000 more than the mere dividend income, and this we proceed to prove.

The mode of treatment is simple—Every investment held should be sold as soon as it shews an adequate profit, and repurchased, as soon as a fall in price has taken place.

As the underlying principles of this maxim have been fully treated in preceding chapters, we shall here deal only with its practical application.

In order to prove our case conclusively, we have for the purposes of our argument taken identically the same securities at the same price and for the same period as "A" held them.

In every instance the active investor adopted a certain policy and followed it up throughout.

Take the case of the first stock on the list, New South Wales 3½ per Cent. At starting, he knew this to be a slow moving investment stock, which each half year yielded in dividends £17 10s. on £1,000 stock; he therefore decided to be satisfied with a small profit, and to buy and sell this stock in each instance when a fluctuation of 3 points, equal to £30 on his £1,000 investment, took place. This was done, and similar calculations were adopted and carried out in every case, with the results shewn in the following table.

Year.	Result without dealings. (Taken from Table 1.)		Result with dealings. (Taken from Table 3.)	
	Value of stock beginning of year.	Dividends drawn during previous year.	Value of stock and cash at beginning of year.	Income drawn during previous year.
Original Investment.	£9,675	..	£9,675	..
1896	£9,105	£285 8 2	£11,272	£400
1897	£9,625	£297 18 8	£12,727	£400
1898	£9,940	£322 11 0	£13,874	£400
1899	£9,580	£343 1 10	£15,223	£400
Dividends drawn and deducted each year		£1,258 19 2		£1,600

Full details proving these figures will be found on Table 3, on Charts 2 to 11, inclusive, and in the succeeding Chapters.

The above table shews that the active investor drew a uniform income of £400 per annum, whilst "A" drew only the exact dividends produced in each year.

The active investor would, of course, have been justified in drawing a larger income than £400, but we fixed this sum for the sake of convenience and simplicity.

At the end of 1898, the active investor is left (on Table 3) with precisely the same stocks, at exactly the same prices, as "A" was left with on Table 1.

The comparison is therefore complete.

But, in addition to holding exactly the same quantity of stock, and having drawn a larger income throughout, the active investor has accumulated a cash surplus of £5,713.

It follows, therefore, that this treatment of stocks is infinitely superior to "A's" mode of dealing in investments.

Such startling results require the strongest confirmation before being accepted as correct, and, this being the case, we give, in the succeeding Chapters, the details of every transaction.

Our readers might think that, in order to obtain so good a shewing, an extraordinary amount of trouble must be taken, and a large amount of ingenuity displayed.

This is far from the case. All that seems necessary is a steady plodding.

The investor first decides what profit he ought to take on each stock. Having settled this, he writes to the stock dealer selling the stock at that price when practicable. Whenever the sale is effected, the investor sends a repurchasing order, at the price he considers proper, to be acted upon by his stock dealer when practicable. This bargain carried out, the investor's position remains unaltered, whilst he has profited in cash by the temporary movement in the price of his holding.

The operation is very simple. No extraordinary knowledge is requisite to deal thus in stocks. We may best explain by taking a concrete example.

Suppose the investor has purchased New South Wales stock at 101. After a study of the usual movements of the stock, he decides that this stock should be dealt in on every three-point fluctuation. This means that he ought to sell at 104.

There may be no immediate sign of a market movement, but, like a wise man, he takes time by the forelock and writes immediately to his stock dealer as follows :—

To Messrs. W. W. Duncan & Co., Ltd.

Dear Sirs,

I sell you £1,000 New South Wales stock at 104 as soon as practicable. Please retain this order till cancelled.

Yours faithfully,

The stock dealer at once places the order on his books, and writes his customer as follows :—

To————

Dear Sir,

We are in receipt of your order selling us £1,000 New South Wales stock at 104 as soon as practicable, and have placed the same on our books to be executed when your limit is reached.

Yours faithfully,

W. W. Duncan & Co., Ltd.

Automatically, when 104 is touched, the bargain is effected. The stock dealer then writes his customer as follows :—

To———

Dear Sir,

Your limit for New South Wales was reached to-day. We have therefore bought of you £1,000 New South Wales stock at 104, for which we enclose the contract note.

Yours faithfully,
W. W. Duncan & Co., Ltd.

The investor has now netted a profit of £30 on his stock; and not wishing to permanently sell his stock but to repurchase on a fall so that his investment list may remain unaltered, he writes to the stock dealer again.

To Messrs. W. W. Duncan & Co. Ltd.

Dear Sirs,

Your letter received enclosing contract note. I now buy of you £1,000 New South Wales stock at 101 as soon as practicable. Please retain this order till cancelled.

Yours faithfully,

———

This order is received by the dealer, placed on his books, and acknowledged as follows :—

To———

Dear Sir,

We are favoured with your order buying of us £1,000 New South Wales stock at 101, and have placed your limit on our books to be executed as soon as practicable.

Yours faithfully,
W. W. Duncan & Co., Ltd.

In due course the market moves as expected and the price falls to 101. The dealer then writes as follows to the customer.

To———

Dear Sir,

Your limit for purchase of £1,000 *New South Wales stock was reached to-day and we, therefore, sold you* £1,000 *New South Wales at* 101. *Contract note enclosed.*

Yours faithfully,

W. W. Duncan & Co., Ltd.

The transaction is thus very simple. Once the order has been transmitted, the desired result is attained automatically, if the market moves as expected.

Investors should not, however, fall into the error of thinking that they have only to decide once and for all at what price a stock should be sold, and at what price it should be bought.

Do not imagine that the investor could send the dealer a permanent limit to buy New South Wales at 101 and sell at 104. Changes in inherent value of stocks must be taken into account. There is nothing unchangeable in this world, and to this law of nature, the inherent value of stocks offers no exception. Exceptional dividends, political rumours, wars, and other causes produce extraordinary circumstances, under which stocks require special treatment.

The investor must, therefore, be prepared to, now and then, see the inherent value of stocks alter, and the plane of his dealings accordingly shifted. He may have to average. But, if he deals actively in his holding, these circumstances do not affect him in the slightest.

It matters not a whit to him on what plane the inherent value of his investment stands. The person vitally affected is the permanent investor, who buys stocks to lock away without further thought. To him, alterations in the inherent value of stocks mean everything.

We have mentioned above certain factors which lift the inherent value of stocks from one plane to another. To fully explain these before they arrive is not possible.

In every instance where they arise, and are not fully understood, the investor should consult a competent authority.

We have, in the succeeding chapters, treated every stock separately, giving in each instance the reason why a variation from the rule was necessary; and, if these chapters are properly digested, enough practical knowledge will be gleaned to render a consultation with an expert necessary only in the most exceptional cases.

RESULTS OF TAKING ADVANTAGE OF FLUCTUATIONS.

The Original Investments in 1895, and the Investments remaining in 1899, are in this Statement identical with those on "A's" Investment Account, as shown by Table 1.

	Original Purchase-money same as on Table 1.	1895. Number of Transactions during the year.	1895. Nominal Amount of Stock carried to next year.	1895. Actual Value of Stocks carried to next year.	1895. Nett Amount Realised on Stocks Sold during the year.	1895. Amount Borrowed to pay for Additional Stock carried to next year.	1895. Profit during the year, including Dividend.	1896. Number of Transactions during the year.	1896. Nominal Amount of Stock carried to next year.	1896. Actual Value of Stocks carried to next year.	1896. Nett Amount Realised on Stocks Sold during the year.	1896. Amount Borrowed to pay for Additional Stock carried to next year.	1896. Profit during the year, including Dividend.	1897. Number of Transactions during the year.	1897. Nominal Amount of Stock carried to next year.	1897. Actual Value of Stocks carried to next year.	1897. Nett Amount Realised on Stocks Sold during the year.	1897. Amount Borrowed to pay for Additional Stock carried to next year.	1897. Profit during the year, including Dividend.	1898. Number of Transactions during the year.	1898. Nominal Amount of Stock carried to next year.	1898. Actual Value of Stocks carried to next year.	1898. Nett Amount Realised on Stocks Sold during the year.	1898. Amount Borrowed to pay for Additional Stock carried to next year.	1898. Profit during the year, including Dividend.
	£		£	£	£	£	£		£	£	£	£	£		£	£	£	£	£		£	£	£	£	£
£1000 New South Wales 3½ % ... @ 101	1010	4	—		1010		147	3	1000	1067	Balance due	in 1895, 288	115	2	1000	1085	Cash Balance from 1896,	4250	67	1	1000	1060	25		112
£2000 Illinois Central 4 %.... ... @ 105	2100	1	—	—	2100	—	130	2	2000	2060	—	2060	200	1	2000	2100	—	40	160	1	2000	2130		30	170
£2000 Spanish 4 % ... ... @ 72½	1450	3	4000	2460	—	1010	180	2	4000	2420	40		260	2	2000	1210	1210	—	240	1	2000	890	320		200
£1000 Brazilian 4 % ... ... @ 76	760	3	2000	1450		690	90	2	2000	1350	100		130	3	1000	640	710		190	2	1000	565	75		220
£1000 Metro. District 5 % Pref.... @ 101	1010	1	1000	930	80	—	81	2	1000	1000	—	70	112	2		—	1000	—	161	2	1000	1050	—	1050	168
£2000 Great Central "A" ... ... @ 28½	570	1	6000	1590		1020	80	3	—		1590	—	140	1	4000	900		900	40	2	2000	420	480		70
£2000 Chatham Ordinary ... ... @ 18	360	4	4000	680	—	320	115	3			680	—	180	3	2000	380	—	380	110	4	2000	410		30	105
£1000 Canadian Pacific ... ... @ 60½	605	2	1000	570	35	—	834	3	1000	580	—	10	189	3	2000	1635		1055	259	4	1000	875	760		317
£1000 Mexican 1st Preference ... @ 57	570	5	2000	1370	—	800	228	5	—	—	1370		276	4	—	—		—	190	5	1000	770		770	250
10 Shares Suez Canal ... ... @ 124	1240	2	20 sh.	2510		1270	112	4	—		2510	—	253	2	10	1285		1285	130	4	10	1410		125	207
Total	£9675	26	£20000 20 sh.	£11560	£3225	£5110	£1,997	29	£11000	£8477	£6290	£3495	£1855	23	£14000 10 sh.	£9235	£7170	£3678	£1547	26	£13000 10 sh.	£9580	£6299	£2005	£1819

NOTE.—The figures in this statement are taken from Charts 4 to 13 inclusive. The actual difference in results for every stock year by year is ascertained by comparing Table 1 with this Table.

BALANCE SHEET ... January 2nd, 1896.

Amount borrowed	£5110	Amount realised ...	£3225
B's Income	400	Profit made during year	1997
		Balance ...	288
	£5510		£5510

Value of Investment (after providing for borrowed capital and B's Income of £400 per annum).—Value of Stocks £11560
Less Balance payable 288
Nett Value, January 2nd, 1896 ... £11272

BALANCE SHEET January 2nd, 1897.

Amount borrowed	£3495	Amount realised ...	£6290
B's Income	400	Profit made during year	1855
Cash Balance ...	4250		
	£8145		£8145

Value of Investment (after paying B's Income of £400).—
Value of Stocks ... £8477
Add: Cash Balance in Hand 4250
Nett Value, January 2nd, 1897 ... £12727

BALANCE SHEET ... January 3rd, 1898.

Amount borrowed	£3678	Amount realised ...	£7170
B's Income ...	400	Profit made during year ...	1547
Cash Balance ...	4639		
	£8717		£8717

Value of Investment (after paying B's Income of £400).—
Value of Stocks ... £9235
Add: Cash Balance in Hand ... 4639
Nett Value, January 3rd, 1898 ... £13874

BALANCE SHEET January 3rd, 1899.

Amount borrowed	£2005	Amount realised	£6299
B's Income	400	Profit	1819
Cash Balance ...	5713		
	£8118		£8118

Value of Investment (after paying B's Income of £400).—
Value of Stocks £9580
Add: Cash Balance in Hand ... 5713
Nett Value, January 3rd, 1899 ... £15293

As compared with £9,580 Nett Value shown on Table 1.

Chapter XIII.

No. 1 INVESTMENT.

New South Wales 3½ % Inscribed Stock.

(See Chart 4, page 70.)

THIS loan, secured upon the consolidated revenues of a British Colony, is considered a safe investment, offering excellent security for capital and interest.

Being a non-speculative stock, it does not command a free market, and Jobbers insist upon a turn of at least 1 to 2 per cent. before consenting to "make a price"; the difference between the buying and selling price is, therefore, always large, and dealings less profitable than in a speculative security with a close price and a free market.

The annual fluctuations in New South Wales stock range between 4½ per cent. and 11 per cent. The average, including Jobber's turn, is 6 per cent. The stock ought, therefore, to be always kept within 3 per cent. of the market price, and this rule has been strictly adhered to throughout our examples.

In 1894 the inherent value of this stock was about 103, and the investor, having bought and paid for £1,000 stock at 101, or 2 per cent. below the inherent value, in January, 1895, instructed his dealer to

purchase the stock of him at 104, as soon as a rise in price should make this practicable.

The dealer retained the order until March, when the stock had risen, and then bought at 104 from the investor.

Through this sale the investor missed the March dividend of £17 10s., but, as £30 profit is £12 10s. more than this dividend, the compensation was adequate, and here we see how dividends can be profitably disregarded, when by selling more money is realised.

The accompanying Chart, 4, shews the exact fluctuations in New South Wales $3\frac{1}{2}$ Inscribed stock from 1894 to 1899.

The vertical lines denote the 52 weeks in each year, the horizontal lines the price of the stock in pounds sterling; the black horizontal zig-zag lines give the highest points reached during any one week, the corresponding red zig-zag lines shew the lowest points recorded during the same period.

The blue space between the two zig-zag lines shews the difference between the buying and selling price week by week, and it will be noticed that the larger the fluctuations the narrower that space, which proves that a constant and active market enables Jobbers to make close prices.

The broad red channels, inside the blue space, shew all the dealings which have taken place. The black figures at the commencement of each one of these channels denote the price at which the stock was bought, and the black figures at the end, the price at which the stock was ultimately sold. The black figures sometimes occurring in between these two shew the prices at which further purchases for averaging purposes have been made.

The length of each channel indicates the time occupied by each transaction; the empty blue spaces

between the channels how long the investor did not hold any stock.

Below each year's Chart will be found a balance sheet shewing the result of the dealings of that year, and these have been carried to Table 3, in order to ascertain the total results obtained by treating the investments in the manner advocated by us.

No allowance for Brokerage, Contangoes, and Carrying-over charges have been made, as our investor transacts his business on a forward delivery plan direct with a Jobber, thus saving all Brokerage and Carrying-over charges, and, having paid for all stock purchased, he pays no Contangoes.

If conducted on the usual fortnightly settlement system, with the aid of a Broker, the transactions would have been impracticable, as the frequent Carrying-over might have baulked the plan at any time.

In a succeeding chapter we deal fully with these two points, and shall therefore refrain from here enlarging upon them.

We would counsel our readers to open each Chart attached to the following nine Chapters and refer to each carefully, whilst reading the Chapter. This will make the comments more easily understood, and will give readers a knowledge of the nature of fluctuations; a lesson most important to every stock market student.

If a twenty years' Chart for all important stocks were prepared, it would hardly contain any occurrence which is not embraced in the Charts contained in this volume. A study of these will, therefore, teach the investor how to act in every possible emergency, shew the reasons for mistakes made in the past, and teach how to prevent them in future.

Having Chart 4 before us, we can follow at a glance all the dealings in New South Wales 3½ per Cent.

stock. How in 1895 the investor started at 101, and sold in March at 104, repurchased at 102 in April, and sold at 106 in July; how he missed the rise to 109 which followed, and repurchased on a reaction in August; held the stock over the September dividend, which was duly credited to his account, and sold in October at 107½, repurchased in December, and sold at a profit during the same month.

This transaction finished the 1895 dealings. No stock was carried to 1896, and a total profit for the year of £147 was realised by dealing in the stock, against £35 in dividends made by "A" during the same period without dealings (*see* Table 1).

No risk of any kind was incurred throughout the year, and four completed transactions produced the increased profit of £112 10s. on this stock.

The transactions in 1896 are of the same nature as in the previous year, except that after the September purchase, at 109½, the stock fell to 105.

An ordinary investor would have deplored this fall, but an investor who understands the nature of his stock, and the nature of fluctuations, takes this as a natural occurrence, and utilises it for buying more good stock cheaply.

This was done here, and, as a result, loss was averted and a profit of £20 made instead, whilst the whole transaction terminated at a price actually ½ per cent. below the original purchase quotation.

Some readers will remark:—"But what would have happened if the price had further receded?" This did actually occur in 1897-98, when:—

£1,000 stock was purchased in July, 1897, at 108½
1,000 „ „ „ March, 1898, „ 106½
2,000 „ „ „ April, 1898, „ 103½

and no chance of a profitable sale occurred throughout the whole ten months, until £4,000 stock was

sold in May, 1898, at 107½, realising a total profit of £80 on these combined transactions.

Some will say, "But supposing the stock had still further fallen, the investor's cash resources might not have sufficed to buy enough stock to average, and he would have been forced to sell at a loss."

An occurrence of this sort will be fully discussed in Chapter XV., when a stock fell from 61 to 31, and we will refer the reader to that Chapter for the explanation.

In order to make a comparison of "A's" Table 1 of profits and the active dealer's Table 3 possible, we carry £1,000 New South Wales stock to 1899, at 106, and when summarising the result of the dealings on Chart 4 we ascertain:—

For 1895	a profit of ...	...	£147 10 0
„ 1896	„ ...	...	115 0 0
„ 1897	„ ...	...	67 10 0
„ 1898	„ ...	...	112 10 0
Total profit in four years ...			£442 10 0

as compared with four years' dividend of £35 per annum on Table 1, equal to £140, or a difference of £302 10s. in favour of dealing.

During the whole of the four years, only once was £4,000 stock and once £2,000 held; all other transactions were on the original scale of £1,000 nominal value.

On these additional holdings the investor would have had to pay interest on the borrowed capital.

This interest has not been allowed for in the profit calculation, but on the other hand no credit was taken for interest on the capital during the time the investor did not hold any stock. A cursory glance at Table 4 shews that the allowance and the charge would nearly

balance each other. In any event, the expense for interest would be below £10 for the whole period.

To provide the necessary capital would have been easy.

The maximum holding at any one time was £4,000 stock. With £1,000 capital and a slight knowledge of finance anyone can take up and pay for £10,000 New South Wales stock, as Bankers will be pleased to lend £9,000 on £10,000 of this stock if it stands at par, or £10,000 when it stands at 110. Therefore the most conservative critic cannot accuse the investor of having gone out of his depth.

New South Wales 3½ per Cent. is of course a bad stock for speculative purposes, and much better results will be shewn on other securities. It is purely an investment stock, and the difference between the buying and selling price is usually 1 per cent. to 2 per cent., which naturally hampers transactions.

In 1895 the stock was active, good profits were therefore made; whilst in 1897 it hardly moved at all; hence the bad result for that year.

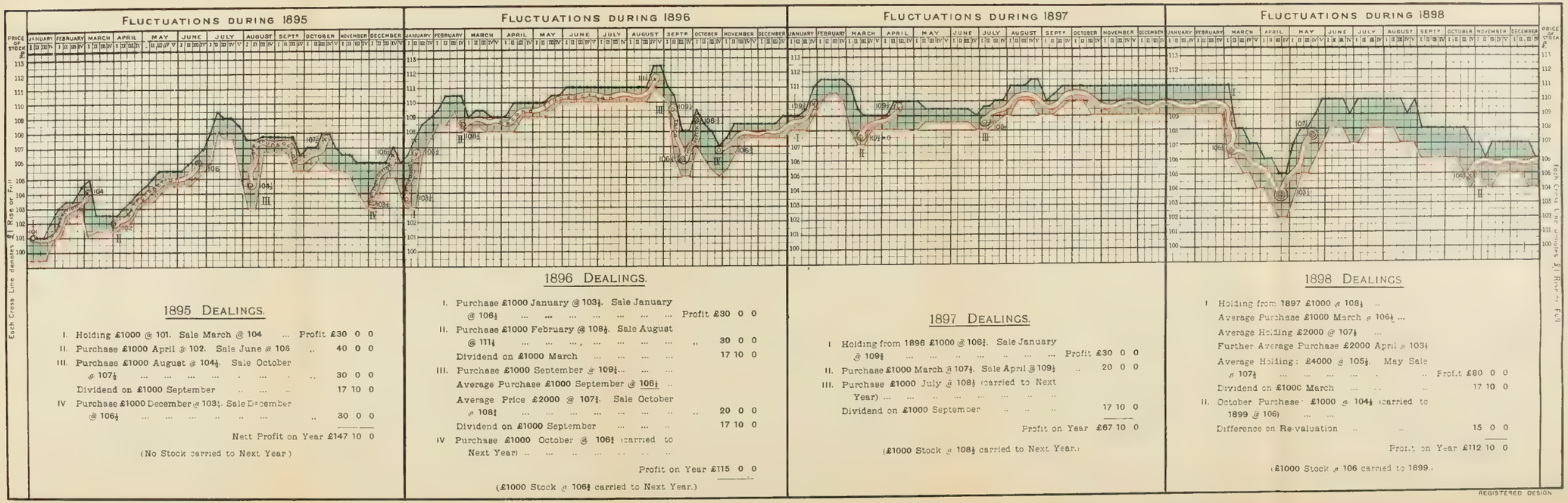
No notice of stamps and transfer fees has been taken, as there is no fee payable on this stock. As a matter of fact, if conducted on the three-monthly forward delivery account, the original investment would rarely have been disturbed.

No. 1 INVESTMENT.

Original Investment £1000 Stock @ 104 = £1040.

NEW SOUTH WALES 3½ PER CENT. INSCRIBED STOCK.

Chart No. 4.



STOCKS WITH SIMILAR MARKET MOVEMENTS TO NEW SOUTH WALES 3½ PER CENT.

Egyptian Government Guaranteed 3 per Cent. Loan Stock
India Inscribed Stocks

All the Provincial Corporation Loans of towns with over 50,000 inhabitants, such as :—
Birmingham Corporation Loan Stock
Bournemouth Corporation Stock
Bristol Corporation Debenture Stock
Cardiff Corporation Stock
Cheltenham Corporation Stock
Devon County Council Stock
Dover Corporation Stock
Glasgow Corporation Stock
Gloucester Corporation Stock
Hampshire County Stock
Hull Corporation Stock
Lancaster Corporation Stock
Liverpool Corporation Stock
Manchester Corporation Stock
Metropolitan Consolidated Loan Stock
Middlesex County Council Stock
Nottingham Corporation Stock
Reading Corporation Stock
Tunbridge Wells Corporation Stock
Worcester Corporation Stock

Colonial and Provincial Government Securities, such as:—
Canada Government Registered Stocks
Canadian Pacific Railway Land Grant Bonds
Cape of Good Hope Loan Stock
Chinese Gold Stock
Egyptian Loans Stock
French Rentes Stock
German Imperial 3 per Cent. Stock
Hungarian Gold Rentes Stock
Natal Government Inscribed Stocks
Newfoundland Inscribed Stock
New Zealand Inscribed Stock
Queensland Government Inscribed Stock
Queensland Inscribed Stock
Russian 4 per Cent. Stock
South Australia Government Inscribed Stock
Tasmanian Government Inscribed Stock
Trinidad Inscribed Stock
Victoria (Australia) Government Stock
West Australian Government Stock

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1.-) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.

1895 DEALINGS.

I.	Holding £1000 @ 101. Sale March @ 104 ...	Profit £30 0 0
II.	Purchase £1000 April @ 102. Sale June @ 106 ..	40 0 0
III.	Purchase £1000 August @ 104½. Sale October @ 107½	30 0 0
	Dividend on £1000 September	17 10 0
IV	Purchase £1000 December @ 103½. Sale December @ 106½	30 0 0
	Nett Profit on Year	£147 10 0

(No Stock carried to Next Year)

1896 DEALINGS.

I.	Purchase £1000 January @ 103½. Sale January @ 106½	Profit £30 0 0
II.	Purchase £1000 February @ 108½. Sale August @ 111¼	30 0 0
	Dividend on £1000 March	17 10 0
III.	Purchase £1000 September @ 109½...	
	Average Purchase £1000 September @ 106½ ..	
	Average Price £2000 @ 107½. Sale October @ 108½	20 0 0
	Dividend on £1000 September	17 10 0
IV	Purchase £1000 October @ 106½ (carried to Next Year)	
	Profit on Year	£115 0 0

(£1000 Stock @ 106½ carried to Next Year.)

1897 DEALINGS.

I	Holding from 1896 £1000 @ 106½. Sale January @ 109½	Profit £30 0 0
II.	Purchase £1000 March @ 107½. Sale April @ 109½ ..	20 0 0
III.	Purchase £1000 July @ 108½ (carried to Next Year)	
	Dividend on £1000 September	17 10 0
	Profit on Year	£67 10 0

(£1000 Stock @ 108½ carried to Next Year.)

1898 DEALINGS

I	Holding from 1897 £1000 @ 108½ ..	
	Average Purchase £1000 March @ 106½ ...	
	Average Holding £2000 @ 107½ ...	
	Further Average Purchase £2000 April @ 103½	
	Average Holding: £4000 @ 105½. May Sale @ 107½	Profit £80 0 0
	Dividend on £1000 March	17 10 0
II.	October Purchase £1000 @ 104½ (carried to 1899 @ 106)	
	Difference on Re-valuation	15 0 0
	Profit on Year	£112 10 0

(£1000 Stock @ 106 carried to 1899.)

STRAKER BROTHERS LTD LITHOS 44 47, BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN

Chapter XIV.

No. 2 INVESTMENT

Illinois Central 4% Gold Bonds.

(See Chart 5, Page 72.)

THIS is one of the commonly termed "gilt-edged securities," offering undeniable safety for capital and interest.

The nett earnings of the Illinois Central Railway, upon which these Bonds are secured by way of mortgage, exceed by millions the amount necessary for providing the interest of this loan. Both capital and interest are, therefore, safe.

Like New South Wales stock, this security has but a very limited market, whilst the difference between the buying and selling price is even more considerable.

We have prepared Chart 5 in identically the same way as the preceding one. An explanation is therefore needless. The fluctuations in price are not frequent, and the stock has, therefore, to be held for a very considerable time before a reasonable profit can be secured.

Taking the past history of the stock, the small range of its price fluctuations, and the interest it returns into consideration, one must conclude that it should always be kept within 4 per cent. of the

market price; upon this principle the dealings have been conducted.

Being a bearer security, no stamps and fees are payable by either party on the stock changing hands.

The dealings as illustrated by Chart 5 speak for themselves, and prove how unsuitable for speculative purposes this stock is.

Anyone investing all his available capital in this class of stock would lose but little by disregarding fluctuations in price, and we have purposely chosen it as an illustration of the difference which exists between such speculative stocks as Spanish 4 per Cent., Canadian Pacific and others hereafter dealt with, and purely investment stocks.

The dealings in these Gold Bonds are slow and uninteresting, and yet the result is favourable:—

In 1895 the profit was	...	£130	0 0
„ 1896 „ „ „	...	200	0 0
„ 1897 „ „ „	...	160	0 0
„ 1898 „ „ „	...	170	0 0
Total profit in four years...		£660	0 0

This result compares with four years' dividend at £80 per annum, or in all £320, as explained on Table 1.

Frequently during the dealings larger amounts of capital became necessary for carrying out the transactions than if one held for dividend only; the comparison of these two results is therefore not quite fair.

Stocks as well secured as Illinois Central, with as wide a difference between the buying and selling price as this security, and the price of which in addition sometimes remains stationary for months, are recommended for safety of capital and regularity of interest, but they are unsuitable for speedy increase in capital value, or for additional profits to be made by taking advantage of the market fluctuations.

No. 2 INVESTMENT.

Original Investment £2000 @ 105 = £2100.

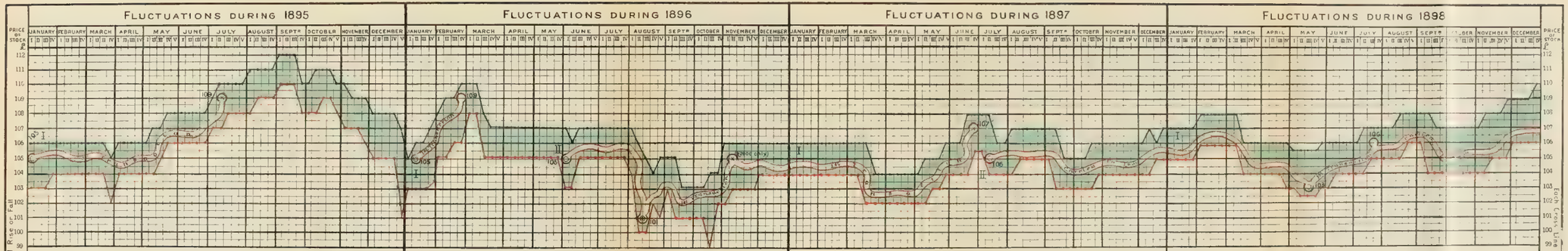
ILLINOIS 4 PER CENT. GOLD BONDS.

Chart No. 5.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO ILLINOIS CENTRAL 4 PER CENT. GOLD BONDS.

Allegheny Valley 4 %. Gen. Mort.
Baltimore & Ohio 4 %. Gold Bonds
Barry 4 per Cent. Consol. Pref.
Buenos Ayres Great Southern 4 per Cent. Debentures
Buenos Ayres West. 4 % Deb.
Caledonian Rail. 4 %. Consol., Guar. and Pref.
Caledonian Railway 4 % Deb.
Canadian Pacific 4 % Debentures
Central of New Jersey 5 % Gold Bonds
Chesapeake & Ohio 1st Consolidated 5 per Cent. Gold Bonds
Chicago, Milwaukee & St. Paul Gold Bonds of all denominations
Chicago, St. Louis & New Orleans Gold Bonds
Denver & Rio Grande 4½ per Cent. Gold Bonds
Furness Railway 4 per Cent. Consolidated Preferred
Furness Railway 4 per Cent. Debenture Stock
Glasgow & South Western 4 per Cent. Guaranteed and Debentures
Grand Trunk 4 % Debentures
Great Eastern Consol. Preference and Guaranteed
Great Indian Peninsular Debentures
Great Northern 4 %. Guar. & Preferred
Great North of Scotland 4 per Cent. Lien and Debentures
Great Western 4 per Cent. Debentures
Indian Midland Guaranteed Stock
Lake Shore Morigage Bonds
Lancashire & York. Consol. Guarant.
London & N. West. Consol. Guarant.
London & South West. 4 % Pref.
London, Tilbury & Southend 4 per Cent. Perpetual Debentures
Louisville & Nashville Bonds of all denominations
Metropolitan Railway 4 % Perpet. Pref. and Debentures
Metrop. District 4 % Guarant.
Midland Railway of West Australia 4 per Cent. Debenture Bonds
Minneapolis & St. Paul 5 per Cent. Consolidated Gold Bonds
Missouri, Kansas & Texas 4 per Cent. 1st Mortgage Gold Bonds
New Brunswick Railway 4 per Cent. Perpetual Consolidated Debentures
New York Central Bonds of all denominations
New York, Ontario & Western 4 per Cent. Refunding Gold Bonds
North British 4 %. Consol. Pref.
Rhymney Rail. Consol. 4 %. Pref.
Taff Vale 4 per Cent. Preferred

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1 -) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.



1895 DEALINGS.

I. Holding: £2000 @ 105. Sale July @ 109 ... Profit £80
Dividend March ... ... ,, 40

Profit on Year (less tax) £130

1896 DEALINGS.

I. Purchase January of £2000 @ 105. Sale February @ 109 ... ... Profit £80
II. Purchase May of £2000 @ 105 ... ...
Average Purchase August of £2000 @ 101 ...
Average Holding of £4000 @ 103 ... ...
Dividend October on £4000 ... ... ,, 80
Sales November: £2000 @ 105 (average price 103) ,, 40

Profit on Year £200

(£2000 Stock @ 103 carried to Next Year).

1897 DEALINGS.

I. Holding 1896: £2000 @ 103. Sale June @ 107. Profit £80
April Dividend on above ... ... ,, 40
II. Purchase July: £2000 @ 105 (carried to 1898)
October Dividend on above ... ... ,, 40

Profit on Year £160

(£2000 Stock @ 105 carried to Next Year).

1898 DEALINGS.

I. Holding from 1897: £2000 @ 105 (carried to 1899)
April Dividend on above £40
Purchase May: £2000 @ 103. Sale July @ 106 Profit 60
October Dividend 40
£2000 Stock carried to 1899 @ 106½ (bought @ 105) ,, 30

Profit on Year £170

(£2000 Stock @ 106) carried to 1899).

STRAKER BROTHERS LTD LITH^rs 44 47 BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN.

Chapter XV.

No. 3 INVESTMENT.

Spanish Government 4% Stock.

(See Chart 6, page 78.)

THIS loan is issued and guaranteed by the Spanish Government. There is no special security for its principal and interest, except the international honesty of the Spaniard.

As the interest is regularly paid, and there is no immediate prospect or likelihood of its being stopped, this stock commands investors' attention, and has a very free market.

At the price of 60 it yields to holders 6½ per cent. on the money invested, and is therefore considered a speculative security of the best type.

Prior to 1894 the price of the stock ranged between 50 and 79, and when compared with investments of a similar class its inherent value in 1894 would have been about 65 per cent.

Investors who make the best returns on their capital by watching stocks closely always deal in large quantities of this stock on the basis of small profits.

As this produces many transactions, Jobbers are usually satisfied with a 5s. difference between the

buying and the selling price. Frequently large blocks of stock change hands without affecting the market, so that the conditions are most favourable for taking advantage of fluctuations in prices.

Investors who hold Spanish stock permanently without selling when prices rule high and buying back when they are low, lose innumerable chances of making money.

We have based our dealings in Chart 6 on the principle of keeping the stock within 3 per cent. of market prices, but usually much smaller profits are taken.

This Chart is prepared on the same principle as the preceding ones, except that the horizontal lines, which denote the price, are somewhat closer together.

The starting price of $72\frac{1}{2}$ is very high, and much above the inherent value at the time of the purchase. The stock found its level in 1896 and kept it until the Spanish war; and here we find a clear illustration of how safe the system of selling at a profit is when compared with permanent holding.

The permanent holder would have lost £130 in capital on each £1,000 stock between January, 1895, and January, 1896 (*see Table* 1), whilst the intelligent manipulator on our plan kept his capital intact and besides made considerable profits.

Some averaging was, of course, necessary to obtain this result, but the capital was safe throughout, so that no special risks were incurred.

The chief lesson to be learnt from this movement in Spanish is that, whilst it is most dangerous to buy above the inherent value, when permanent holding is contemplated, such buying is permissible when the operator intends to take advantage of the market fluctuations.

With the exception of the small rise up to March, 1895, Spanish stock never commanded 72½ after the purchase at that price. What chance, therefore, had the permanent holder of making up his losses?

At the end of 1895, £4,000 stock was held at the price of 64½, and this stock was carried over to 1896 at the price of 61½, being 3 per cent. below the purchase price, which caused an apparent loss of £120, and reduced the year's gross profit from £300 to £180.

This loss was made up by the January, 1896, dividend and the first transactions of that year, which resulted in a gain of £40 to the investor; so a seeming loss produced a profit in the end.

Some inexperienced investors do not seem to understand that carrying over stock from one account to the next at a lower price than they paid for it entails no loss or expense, and makes the account safer and less speculative.

Suppose Spanish stock had been carried to the 1896 account at the cost price of 69½, and an imaginary profit of £300 instead of a real profit of £180 had been drawn by the investor. He would then have lived in a fool's paradise up to March, 1896. He would have imagined that he had made a profit of £300 in 1895, and when called upon to pay back £120 in March, would have been most disappointed.

The high price at which the stock stood in the account might have induced him to abandon the proper principle of handling the stock; he might have waited for higher prices, thereby lost the market, and played general havoc with his account.

Safegoing, solid investors invariably prefer to have their stocks carried over below market price. It gives much solidity to their account, prevents them from

getting out of their depth, and induces a safe and systematic conduct of the investment business.

The dealings during 1896 and 1897 require no special comment.

In March, 1896, the investor found himself possessed of £2,000 Spanish stock at 60½ when America declared war against Spain.

In every extreme emergency the stock affected should either be sold forthwith (which in this instance could have been done at about 5 per cent. loss) or a different scale of averaging should immediately be decided upon.

The investor should examine his capital account, ascertain how much stock he could conveniently carry, if the worst came to the worst and the stock fell to a nominal price. His averaging should then be arranged on a principle which would enable him to follow the stock to the end.

It is always well to take the very worst view in cases of this sort.

So far, we have treated Spanish stock on a 3 per cent. averaging basis. Had this basis been continued on the breaking out of the Spanish war, and had the stock fallen to 10, which was quite possible, over 15 average purchases might have become necessary, and the investor would have held over £30,000 stock in the end.

If his capital had been large enough to permit this, no alteration in the system need have been contemplated, but as we have assumed throughout that £10,000 was the total capital of the investor who carried on these transactions, and that he had nine other operations in progress at the time, this capital would have been insufficient for such frequent purchases. The averaging should, therefore, have been settled for each 10 points fall, and this has been carried out in our case.

In our case the stock ell to about 30. The averaging only became necessary three times, viz., at 50½, 40½, and 30½.

A glance at the Chart shews how, after remaining a short time near the lowest point, the stock began to steadily improve.

This is a common occurrence on all occasions of this kind. A well-known investment falls rapidly from temporary causes; as soon as these causes are removed, the prices usually linger a while near bottom level, and then commence to steadily improve until the stock regains its usual price.

There is no possibility of knowing beforehand how low a stock might fall on such occasions; the fall in Spanish might have stopped at 50 or 40, or it might have continued to below 10.

To the investor who had looked the facts straight in the face on the declaration of the war, and had properly calculated the amount of capital which he could conveniently employ upon his stock, it would have been entirely immaterial at which point the fall did stop.

At whatever level this occurred, the recovery in price would have been almost identical with the recovery which did actually take place in the case of Spanish, and no loss would have been made by him in any event.

We make this statement without fear of contradiction. We have examined hundreds of similar falls in price caused by wars, railway accidents, floods, epidemics, railway rate-cutting, and almost every other contingency, and we have found that in each instance precisely the same features, as in the above case of Spanish, have been exhibited.

For the purpose of comparison with "A's" account, we were forced to sell £6,000 Spanish at the end of 1898. In reality no such closing would have taken

place, and the fall caused by the war would have secured a handsome profit instead of an even closing, as in our example.

By prompt action loss through disaster can by our means always be avoided. Whenever any unforeseen event causes a large fall in the stock, one of the two following alternatives should immediately be adopted:—

1. Immediate sale of the stock.
2. Prompt averaging to the end of the fall at such distances as the capital in hand will permit.

The total results of the transaction in Spanish during the four years under contemplation were as follows :—

For 1895 the profit was	...	£180	0 0
„ 1896 „ „ „	...	260	0 0
„ 1897 „ „ „	...	240	0 0
„ 1898 „ „ „	...	200	0 0
Total profit for four years		£880	0 0

as compared with four years' dividend of £77 6s. 8d. per annum, equal to £309 6s. 8d. in four years, made by "A" on Table 1 ; but "A" lost in reality £460 on his capital account on this stock; he therefore really had no interest throughout, and lost £150 13s. 4d. in addition.

The above example gives the reason for the often occurring diminution of income and capital on the investments of permanent holders of stocks.

They do not understand how to deal with fluctuations, do not realise the cause of troubles until it is too late, and usually sell at the worst moment, thus incurring irretrievable losses.

An investment like Spanish 4 per Cent. Bonds is unsuitable for investors who do not attend to their stocks; only those who are prepared to use their intelligence, can hope to reap the full benefit of investments of this class.

No. 3 INVESTMENT.

Original Investment £2000 @ 72½ = £1450.

SPANISH 4 PER CENT. GOLD BONDS.

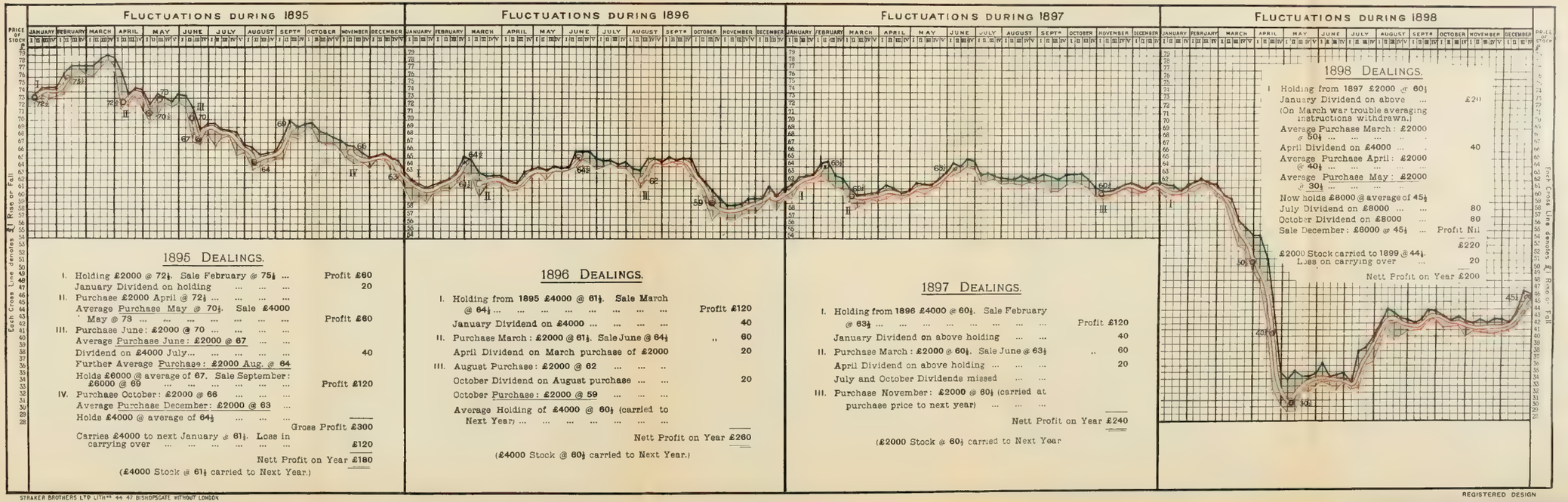
Chart No. 6.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO SPANISH FOURS.

(Same as Brazilian 4 per Cent. Bonds.)

Argentine Cedulas "B"	Chinese Sevens
Argentine Fives	Cordova Loans
Argentine Funding 6 per Cent.	Costa Rica "A" Bonds
Austrian 5 per Cent. Silver Rentes	Costa Rica "B" Bonds
Brazilian 4 per Cent.	Entre Rios Loans
Brazilian 4½ per Cent.	Greek Fives
Brazilian Fives	Greek Monopoly
Brazilian Western of Minas	Italian Fives
Buenos Ayres Loans	Mexican Sixes
Bulgarian Loans	San Paulo Brazil 5 per Cent.
Chilian 4½ per Cent.	Santa Fé
Chilian 5 per Cent.	Turkish Fours
Chilian Fives	Venezuelan Loan 1881

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1 -) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.



1895 DEALINGS.

I.	Holding £2000 @ 72½. Sale February @ 75½ ...	Profit £60
	January Dividend on holding	20
II.	Purchase £2000 April @ 72½	
	Average Purchase May @ 70½. Sale £4000 May @ 73	Profit £60
III.	Purchase June: £2000 @ 70	
	Average Purchase June: £2000 @ 67	
	Dividend on £4000 July...	40
	Further Average Purchase: £2000 Aug. @ 64	
	Holds £6000 @ average of 67. Sale September: £6000 @ 69	Profit £120
IV.	Purchase October: £2000 @ 66	
	Average Purchase December: £2000 @ 63 ...	
	Holds £4000 @ average of 64½	
	Gross Profit	£300
	Carries £4000 to next January @ 61½. Loss in carrying over	£120
	Nett Profit on Year	£180

(£4000 Stock @ 61½ carried to Next Year.)

1896 DEALINGS.

I.	Holding from 1895 £4000 @ 61½. Sale March @ 64½	Profit £120
	January Dividend on £4000	40
II.	Purchase March: £2000 @ 61½. Sale June @ 64½	,, 60
	April Dividend on March purchase of £2000	20
III.	August Purchase: £2000 @ 62	
	October Dividend on August purchase	20
	October Purchase: £2000 @ 59	
	Average Holding of £4000 @ 60½ (carried to Next Year)	
	Nett Profit on Year	£260

(£4000 Stock @ 60½ carried to Next Year.)

1897 DEALINGS.

I.	Holding from 1896 £4000 @ 60½. Sale February @ 63½	Profit £120
	January Dividend on above holding	40
II.	Purchase March: £2000 @ 60½. Sale June @ 63½	,, 60
	April Dividend on above holding	20
	July and October Dividends missed	
III.	Purchase November: £2000 @ 60½ (carried at purchase price to next year)	
	Nett Profit on Year	£240

(£2000 Stock @ 60½ carried to Next Year

1898 DEALINGS.

I	Holding from 1897 £2000 @ 60½	
	January Dividend on above ...	£20
	(On March war trouble averaging instructions withdrawn.)	
	Average Purchase March: £2000 @ 50½	
	April Dividend on £4000	40
	Average Purchase April: £2000 @ 44½	
	Average Purchase May: £2000 @ 30½	
	Now holds £8000 @ average of 45½	
	July Dividend on £8000	80
	October Dividend on £8000	80
	Sale December: £6000 @ 45½ ...	Profit Nil
		£220
	£2000 Stock carried to 1899 @ 44½. Loss on carrying over ...	20
	Nett Profit on Year	£200

STRAKER BROTHERS LTD LITH^RS 44 47 BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN

Chapter XVI.

No. 4 INVESTMENT.

Brazilian 4% Gold Bonds.

(See Chart 7, page 82.)

THESE Bonds form a part of one of the loans made by the British public to the Brazilian Government.

Government loans are, from a very important point of view, unsatisfactory. Governments borrow on certain stipulated conditions, but these are sometimes disregarded, the lenders having no remedy to enforce their rights.

Many South American Republics have availed themselves of this simple expedient to avoid meeting their obligations; but, somehow, the British public trusts Brazil. The price of Brazilian Bonds is comparatively high, and usually equal to the price of Spanish 4 per Cent. Bonds.

The rate of interest on the above two securities is the same, and for the purpose of comparison we have treated the dealings in Brazilians on the same basis as the dealings in Spanish. Chart No. 7 shews how Brazilians have moved, and how the stock on every rise was sold at a profit and on every fall repurchased.

When these charts are studied, it should never be forgotten that in actual transactions the future is always uncertain.

The past, when properly analysed and understood, gives a fair clue to the future; but, except in the knowledge that history repeats itself, there is no certainty that any forecast, so formed, will actually be realised.

Between January and September, 1895, three distinct transactions in Brazilians were closed at a profit of £30 each, the stock during these months moving with extraordinary regularity.

For this reason, a purchase at 75 in October seemed correct, but immediately after the purchase, instead of going up, the stock went down, and, up to 1899, never reached 75 again.

The investor frequently says: "I was bound to lose because my stock never reached my price again."

This statement seems unanswerable, and yet it is a fallacy.

An investor who has bought at a high price and does nothing to retrieve his fortunes is like a farmer who had his seed spoiled by wet or snow, and, instead of sowing afresh immediately, lets his land lie fallow until next year.

The permanent holder for dividends invariably lets his stocks lie fallow, and thus suffers losses, from which the intelligent investor escapes. The latter deals with emergencies of this kind as illustrated by our Chart 7.

Having made a bad purchase at 75, he buys more stock to average at 70, then again at 65, and ultimately closes his purchase at 70¾, being 4¼ per cent. below the original purchase price, and yet at a profit of £80.

It is not necessary for this investor that the stock should go back to the level of his purchase price; he understands how to avert loss and how to make a profit on a lower quotation.

The captious critic will here remark: "But supposing the stock had still further receded?"

This criticism has been fully met in the foregoing Chapter; Spanish fell from 60 to 29½, and yet loss was averted. This being one of the most important points of this book, we will again explain.

In every instance where a purchase at a high price has been made, and averaging becomes necessary, the investor should carefully count his forces before proceeding to war.

If he has invested his money on the prudent principle of never putting more than one-tenth of the capital into any one security, he will always be able to average effectually and turn a loss into a profit.

Some of our readers may hold stocks bought at high prices which, through failure of the undertaking, have become of little value. They should enquire into the future prospects before proceeding to average, as only old and well-established investments can be treated in this way to advantage.

A stock with a good history never remains permanently depressed; only new stocks without a history experience such a depreciation, and, being rank speculations, they cannot be classed with the class of stock which we have under consideration.

This point should be carefully investigated prior to deciding on the averaging of any stock. Wherever recently established stocks are averaged, disaster is courted.

Investors should always be guided by past experiences in their dealings, and always consider the future as uncertain.

Had the investor known that Brazilians would experience a fall of 10 per cent., he would not have bought at 75. Such knowledge was impossible; the purchase, therefore, in spite of proving troublesome, was correct.

When the teachings of the past are utilised as a guide to the future, it must never be forgotten that the future is always unknown, and that only arguments based on such want of knowledge are admissible and of true value.

We have followed this principle throughout, and, therefore, hope that our arguments will prove of value.

The remaining transactions in Brazilians are usual, and, therefore, comparatively uninteresting, until we reach the heavy fall in March, 1898, caused by the Spanish War.

Here we are confronted with one of those extraordinary anomalies which are daily occurrences on the Stock Market. Beyond the fact that Spain and Brazil use the same language, these two nations have no interests in common; yet a Spanish war sadly affected Brazilian stocks.

Frequently when the Emperor of Austria had contracted a cold, Brighton "A" went down a point or two—why, no one knew, and no one ever will know! And yet these anomalies occur and have to be dealt with.

We should counsel our reader to put the 1898 Chart for Spanish side by side with the Brazil Chart for the same period, and he will be struck by the extraordinary similarity in the form of recovery in price in both instances.

As our Charts are prepared from the actual prices, this extraordinary similarity becomes very striking, and will, we hope, be accepted as proof positive of what we stated in our last Chapter on recovery in prices.

A summary of the results attained, but utilising the rises and falls in the price of Brazilians during 1895 to 1899, will be found on Chart 7, and should be compared with "A's" results as shewn on Table 1. The comparison is striking.

No. 4 INVESTMENT.

Original Investment £1000 @ 76 = £760.

BRAZILIAN 4 PER CENT. GOLD BONDS.

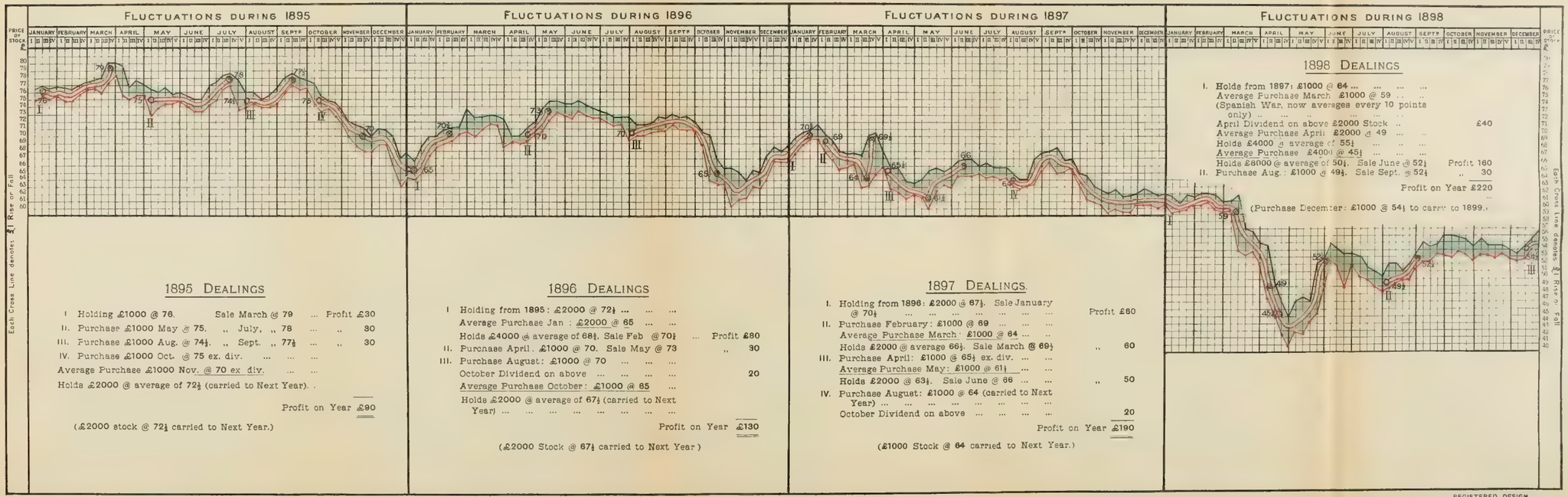
Chart No. 7.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO BRAZILIAN 4 PER CENT. BONDS.

Same list as Spanish Fives.

Argentine Cedulas "B"	Costa Rica "A" Bonds
Argentine Fives	Costa Rica "B" Bonds
Argentine Funding 6 per Cent.	Entre Rios Loans
Austrian 5 per Cent. Silver Rentes	Greek Fives
Brazilian 4½ per Cent.	Greek Monopoly
Brazilian 5 per Cent.	Italian Fives
Brazilian Western of Minas	Mexican Sixes
Buenos Ayres Loans	San Paulo (Brazil) 5 per Cent.
Bulgarian Loans	Santa Fé
Chilian 4½ per Cent.	Spanish Fours
Chilian 5 per Cent.	Turkish 4 per Cent.
Chinese Sevens	Venezuelan Loan, 1881
Cordova Loans	

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1 -) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.



1895 DEALINGS

I	Holding £1000 @ 76.	Sale March @ 79 ...	Profit £30
II.	Purchase £1000 May @ 75.	,, July, ,, 78 ...	,, 30
III.	Purchase £1000 Aug. @ 74½.	,, Sept. ,, 77½ ...	,, 30
IV.	Purchase £1000 Oct. @ 75 ex. div.	... ...	
	Average Purchase £1000 Nov. @ 70 ex. div.	... ...	
	Holds £2000 @ average of 72½ (carried to Next Year).		
		Profit on Year	£90

(£2000 stock @ 72½ carried to Next Year.)

1896 DEALINGS

I	Holding from 1895: £2000 @ 72½	
	Average Purchase Jan: £2000 @ 65	
	Holds £4000 @ average of 68½. Sale Feb @ 70½	... Profit £80
II.	Purchase April. £1000 @ 70. Sale May @ 73	,, 30
III.	Purchase August: £1000 @ 70	
	October Dividend on above	20
	Average Purchase October: £1000 @ 65 ...	
	Holds £2000 @ average of 67½ (carried to Next Year)	
	Profit on Year	£130

(£2000 Stock @ 67½ carried to Next Year)

1897 DEALINGS.

I.	Holding from 1896: £2000 @ 67½. Sale January @ 70½	Profit £60
II.	Purchase February: £1000 @ 69	
	Average Purchase March: £1000 @ 64	
	Holds £2000 @ average 66½. Sale March @ 69½	,, 60
III.	Purchase April: £1000 @ 65½ ex. div.	
	Average Purchase May: £1000 @ 61½	
	Holds £2000 @ 63½. Sale June @ 66	,, 50
IV.	Purchase August: £1000 @ 64 (carried to Next Year)	
	October Dividend on above	20
	Profit on Year	£190

(£1000 Stock @ 64 carried to Next Year.)

1898 DEALINGS

I.	Holds from 1897: £1000 @ 64	
	Average Purchase March £1000 @ 59	
	(Spanish War, now averages every 10 points only)	
	April Dividend on above £2000 Stock ..	£40
	Average Purchase April £2000 @ 49	
	Holds £4000 @ average of 55½	
	Average Purchase £4000 @ 45½	
	Holds £8000 @ average of 50½. Sale June @ 52½	Profit 160
II.	Purchase Aug.: £1000 @ 49½. Sale Sept. @ 52½	,, 30
	Profit on Year	£220

(Purchase December: £1000 @ 54½ to carry to 1899.)

STRAKER BROTHERS LTD LITHRS 44 47 BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN

Chapter XVII.

No. 5 INVESTMENT.

Metropolitan District 5% Pref. Stock.

(See Chart 8, Page 86.)

English Railway Preference stocks are usually considered first-class investments, and some of them are included in the list of "Trustee Securities."

It may be well to here shortly mention what stocks are classed as "Trustee securities." Under Section 1 of the Trustee Act, 1893, Trustees, unless forbidden by the Trust Deed, may invest in English Government Securities and the stocks of the Bank of England and Ireland, various Corporation stocks, any Home Rail Preference, Guaranteed or Debenture stock where the dividend for 10 years has been not less than 3 per cent. per annum on the Ordinary stock, various Indian Railway annuities, and the Preference, Debenture, and Guaranteed stocks of such English Water companies as have for 10 years paid 5 per cent. on the Ordinary stock. Trustees may not purchase stocks redeemable within 15 years, or which stand at 15 per cent. premium over the redemption value. From the remarks which follow it will be deduced that Metropolitan District 5 per cent. Preference stock is not yet a "Trustee security."

It has, however, all the appearance of a safe investment. It is, nevertheless, in reality a very speculative security.

Its dividends are non-cumulative ; they are only paid when earned by the Company, and are lost to the shareholders when not earned. For this reason a good year does not make up for the previous bad one.

Up to the present time the earnings of the Company have never once been sufficient to pay the full dividend for any one half-year, so much so that the rate actually paid has varied from 1 per cent. to 4 per cent.

No stock ranking behind this Preference issue receives any dividend. This 5 per Cent. Preference has, therefore, no surplus profits to fall back upon. The fluctuations in earnings make the stock highly speculative, its price being greatly influenced by the dividends earned from time to time.

In 1889, when no dividend was paid, the price stood at 62, whilst in 1894 it rose to over par owing to satisfactory dividends. A calculation of the inherent value of the stock would have come out at 92 in January, 1895, and the original purchase at 101 (*see Chart No.* 8) was very speculative, and averaging had to be resorted to in order to make any profit during that year.

The above short description of the nature of this security can leave no doubt in the mind of the reader as to its peculiarities. A glance, indeed, at "Duncans' Investment Tables" is all that is wanted to disclose these facts.

Similar analysis of almost any stock can be made with equal ease; and it is beyond our comprehension why investors buy stocks without first finding out some particulars about them.

Would anyone take a house without first looking at it? Would anyone order a coat from a tailor

without any instructions as to the kind and style required? Yet these same people, who would not think of falling into such errors, often buy stocks without the slightest enquiry into their past history.

If there were any difficulty in finding out particulars about stocks, there would be some slight excuse. There is no difficulty; yet, instead of making some initial enquiries, investors usually buy in haste, to repent at leisure.

Chart No. 8 shews that Metropolitan District 5 per Cent. Preference has a very wide quotation. In the London Stock Exchange Official List it is usually quoted with a difference of 5 per cent. between the buying and selling prices. This makes the stock unsuitable for selling at small profits; and keeping it within 5 per cent. of the market price should be considered quite sufficient.

As is usual with this class of stock, bargains take a long time to develop. Yet, a glance at the result of the dealings on the Chart shews that they involve but little trouble, and are highly remunerative in the end.

The principle which should govern all dealings with a security like this is to sell on a rise, and to buy back on a fall.

This principle has been duly observed throughout, with the exception of the purchase at the commencement of 1898, which, for the purpose of example, has been made entirely against the principle advocated.

The investor having sold at 105 in October, 1897, should have delayed a repurchase until an actual fall had taken place from the highest point touched. No stock should have been bought until March or April, 1898.

Luckily by averaging once, and by selling at top prices in July, the investor in this instance managed to get out of his transaction at a profit, but in nine

cases out of ten operations of this sort turn out unsatisfactorily and should be avoided.

The example is useful in shewing how a bad purchase and an apparently almost certain loss can be converted into a good bargain, and closed at a fair profit, when properly manipulated.

By comparing Chart 8 with Table 1, the difference in results between the two systems of treating stocks will be ascertained.

Original Investment £1000 @ 101 = £1010.

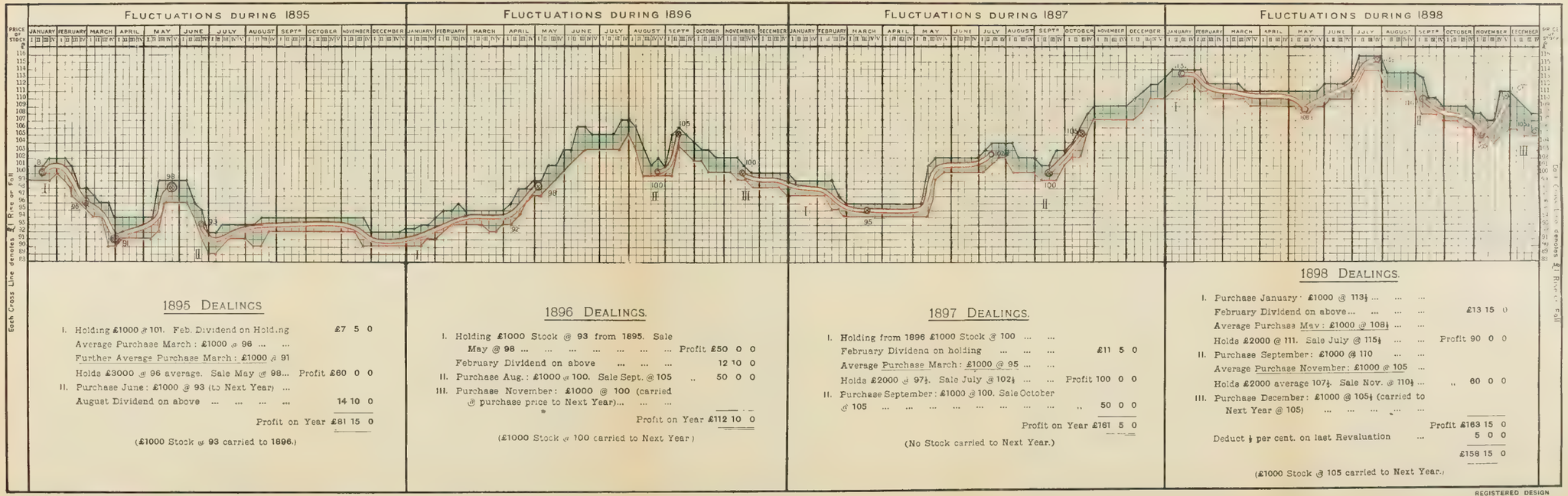
METROPOLITAN DISTRICT 5 PER CENT. PREFERENCE STOCK.

Chart No. 8.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO METROPOLITAN DISTRICT 5 PER CENT. PREFERRED.

Argentine Great Western
Argentine North Eastern
Argentine North Western
Buenos Ayres & Pacific Preferred
Buenos Ayres & Rosario
Caledonian Deferred Converted Ordinary
Caledonian Preferred
Canadian Pacific Non-Cumulative 4 per Cent. Preference Stock
Chatham 2nd Preference
City & South London Railway Converted Ordinary
Cordoba & Rosario
Entre Rios Railway 5 per Cent. Preference Stock
Furness Railway Ordinary
Grand Trunk 1st Preference
Great Central Preferred
Great Northern "A"
Great Northern Deferred Converted Ordinary
Great Western of Brazil Railway Shares
Hull & Barnsley
London & South Western Deferred
Manila Railway 6 per Cent.
Metropolitan Surplus Lands
Mexican Rails 1st Preference
Mexican Southern Railway Stock
Midland of Uruguay Railway Stock
Minas & Rio Railway Stock
Minneapolis St. Paul Preferred
North British Railway Ordinary
Taff Vale Ordinary

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1/-) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.



1895 DEALINGS

I.	Holding £1000 @ 101. Feb. Dividend on Holding	£7 5 0
	Average Purchase March: £1000 @ 96	
	Further Average Purchase March: £1000 @ 91	
	Holds £3000 @ 96 average. Sale May @ 98...	Profit £60 0 0
II.	Purchase June: £1000 @ 93 (to Next Year) ...	
	August Dividend on above	14 10 0
	Profit on Year	£81 15 0

(£1000 Stock @ 93 carried to 1896.)

1896 DEALINGS.

I.	Holding £1000 Stock @ 93 from 1895. Sale May @ 98	Profit £50 0 0
	February Dividend on above	12 10 0
II.	Purchase Aug.: £1000 @ 100. Sale Sept. @ 105	,, 50 0 0
III.	Purchase November: £1000 @ 100 (carried @ purchase price to Next Year)...	
	Profit on Year	£112 10 0

(£1000 Stock @ 100 carried to Next Year)

1897 DEALINGS.

I.	Holding from 1896 £1000 Stock @ 100	
	February Dividend on holding	£11 5 0
	Average Purchase March: £1000 @ 95	
	Holds £2000 @ 97½. Sale July @ 102½	Profit 100 0 0
II.	Purchase September: £1000 @ 100. Sale October @ 105	,, 50 0 0
	Profit on Year	£161 5 0

(No Stock carried to Next Year.)

1898 DEALINGS.

I.	Purchase January: £1000 @ 113½	
	February Dividend on above...	£13 15 0
	Average Purchase May: £1000 @ 108½	
	Holds £2000 @ 111. Sale July @ 115½	Profit 90 0 0
II.	Purchase September: £1000 @ 110	
	Average Purchase November: £1000 @ 105 ...	
	Holds £2000 average 107½. Sale Nov. @ 110½ ...	,, 60 0 0
III.	Purchase December: £1000 @ 105½ (carried to Next Year @ 105)	
		Profit £163 15 0
	Deduct ½ per cent. on last Revaluation ...	5 0 0
		£158 15 0

(£1000 Stock @ 105 carried to Next Year.)

STRAKER BROTHERS LTD LITH'S 44 47 BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN

Chapter XVIII.

No. 6 INVESTMENT.

Great Central Railway "A" (Deferred Ordinary Stock).

(See Chart 9, Page 90.)

HERE we have a stock which has only paid one single dividend of ¾ per cent. during the 50 years of the Company's existence.

A stock which shews so poor a dividend return is like a broken-winded horse,—the chances of it ever paying substantial dividends being just as remote as the chances of that animal's recovery to health.

The horse consumes fodder; the stock consumes interest on the capital invested; so neither of them can be kept without expense.

There is an excuse for original subscribers to a new company being caught with a non-dividend-paying security, but why there should be people ready and willing to pay good prices for a stock like Great Central "A" when its prospects are so well known, seems absurd, unless there is some way by which such holding can be made profitable.

The explanation in the case of Great Central "A" is not far to seek.

This stock commands a ready and free market, so that there is a very small difference between the

buying and selling price. During the last ten years the price has been as high as 53¾, and as low as 15, which proves that there is plenty of scope for buying low and selling high.

These changes in price constitute the only real virtue attached to the stock, and, for this reason, some people call it, and similar securities, "gambling counters."

A man who holds Great Central "A" permanently, is to be likened to a card player who never exchanges the counters won in a game for cash, but retains them, although the counters are of as little actual value as is this stock.

A careful analysis of the accounts of the Great Central Railway Company will reveal the fact that the ascertainable value of Great Central "A" consists chiefly in the voting power attached to the stock, and some sort of a tenth cousin reversionary interest in some increased profits to be made in future decades.

In spite of this, the stock has a real, tangible, inherent value, which should, at proper moments, be converted into cash; this will be found to be about 20, when comparison is made with stocks of a similar nature. At the time of writing the stock is selling at about 15.

Holders of Great Central "A" do not seem to realise that the value of their stock is constantly changing, and that each one of these changes can be turned into cash by them.

Chart No. 8 shews how these changes can be utilised, and the analysis of each year's dealing shews the profit which can be made.

Our dealings as illustrated by the Chart are conducted on a 2 per cent. basis. In reality, holders of this class of stock are satisfied with rises of

½ or 1 per cent. Their natural calculation is follows :—

£1,000 Great Central "A" at the price of 20 involves a capital expense of £200. Five per cent. interest on this capital amounts to £10 per annum. One single purchase in a whole year followed by a sale at 1 per cent. profit suffices to make up this interest.

The price of the stock is constantly on the move; indeed, it would be impossible to find a single year where many such profits could not have been realised.

The inherent value of the security is as safe as Consols. There is, therefore, no risk attached to holding it, whilst the profit is larger than in the case of a high class security. In addition, the purchase-money being small, and no fee being payable to the Company, the transfer expenses on taking up stock are minute.

We shew in the Chart how, with an original investment of about £500, the following profits have been made :—

For 1895 the profit was	...	£80	0 0
„ 1896 „ „ „	...	140	0 0
„ 1897 „ „ „	...	40	0 0
„ 1898 „ „ „	...	70	0 0
Total profit for four years	...	£330	0 0

which makes an average profit of £82 10s. per annum on the investment.

When results like these can be obtained almost without risk, it is not surprising that intelligent investors are always ready to buy stocks like Great Central "A"; while the less intelligent, who pin their faith to dividend warrants, try to disparage such stocks by calling them "gambling counters."

An investor, on the other hand, who holds this sort of stock for a number of years as a nest-egg, without taking profits, equals a man who has his hens sitting on porcelain eggs and is waiting for the chickens to be hatched.

We hope that the above arguments will suffice to shew that there are only two modes of procedure possible, viz., either not to purchase this class of stock at all, or, if it has been bought, to utilise every favourable change in its market prices.

No. 6 INVESTMENT.

Original Investment £2000 @ 28⅛ = £570.

GREAT CENTRAL RAILWAY "A" STOCK.

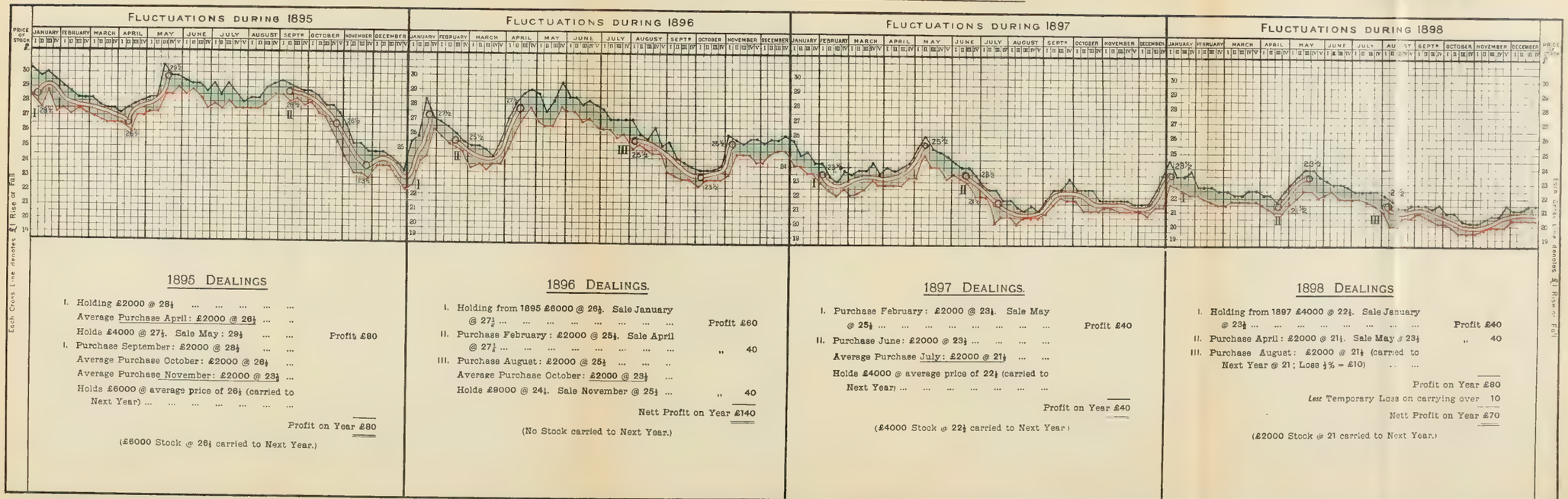
Chart No. 9.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO GREAT CENTRAL DEFERRED.

(Same as Chatham Ordinary.)

Atchison Common
Barnato Consols
Bechuanaland Exploration
Bolivar Limited Railway Shares
Buffelsdown Estates and Gold Mining
Cambrian Railways Preferred
Chartered
Chatham Ordinary
Chesapeake & Ohio Ordinary
Consolidated Main Reef
Cordoba & Rosario Railway 6 per Cent. Preference
Cordoba Central Income
Denver Ordinary
East Rand
Entre Rios Railway Limited Ordinary Stock
Erie Ordinary
Glasgow & South Western Deferred Ordinary
Grand Trunk Ordinary
Grand Trunk 2nd Preference
Grand Trunk 3rd Preference
Great Northern Deferred Converted Ordinary
Matabele Gold Reefs and Estates
Metropolitan District Ordinary
Mexican Central Railway Consolidated First Income Bonds
Mexican Rails Ordinary
Mexican Rails 2nd Preference
Mexican Southern Railway Ordinary
Missouri Ordinary
New Modderfontein Gold Mining Company
New Reitfontein Estates
Nigel Deep
Norfolk & Western Ordinary
North British Deferred
North Western of Uruguay Railway 5 per Cent. 2nd Preference Stock
Northern Pacific Common
Oceana Consols
Ontario
Peruvian Corporation
Randfontein Estates
Reading Ordinary
Reading 2nd Preference
Robinson Randfontein
San Paulo Railway
South West of Venezuela 8½ per Cent. 2nd Mortgage Debenture Stock
Southern Railway Ordinary
Union Pacific Ordinary
Van Ryn
Vogelstruis Estates and Gold Mining
Wabash "B" Debentures
Wabash Common
Wabash Preference
Willoughby Consols

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1/-) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.



1895 DEALINGS

I. Holding £2000 @ 28⅛ ... ...
Average Purchase April: £2000 @ 26¼ ... ..
Holds £4000 @ 27½. Sale May: 29⅛ ... ... Profit £80
I. Purchase September: £2000 @ 28⅛ ... ...
Average Purchase October: £2000 @ 26⅛ ...
Average Purchase November: £2000 @ 23⅛ ...
Holds £6000 @ average price of 26⅛ (carried to Next Year) ... ...

Profit on Year £80

(£6000 Stock @ 26⅛ carried to Next Year.)

1896 DEALINGS.

I. Holding from 1895 £6000 @ 26⅛. Sale January @ 27½ ... ... Profit £60
II. Purchase February: £2000 @ 25½. Sale April @ 27⅛ ... ... ,, 40
III. Purchase August: £2000 @ 25½ ... .
Average Purchase October: £2000 @ 23½ ...
Holds £8000 @ 24½. Sale November @ 25½ ... ,, 40

Nett Profit on Year £140

(No Stock carried to Next Year.)

1897 DEALINGS.

I. Purchase February: £2000 @ 23½. Sale May @ 25½ ... ... Profit £40
II. Purchase June: £2000 @ 23½ ... ...
Average Purchase July: £2000 @ 21½ ... ...
Holds £4000 @ average price of 22½ (carried to Next Year) ... ...

Profit on Year £40

(£4000 Stock @ 22½ carried to Next Year)

1898 DEALINGS

I. Holding from 1897 £4000 @ 22½. Sale January @ 23½ ... ... Profit £40
II. Purchase April: £2000 @ 21½. Sale May @ 23½ ,, 40
III. Purchase August: £2000 @ 21½ (carried to Next Year @ 21; Loss ½% = £10) ... ...

Profit on Year £80
Less Temporary Loss on carrying over 10
Nett Profit on Year £70

(£2000 Stock @ 21 carried to Next Year.)

STANKER BROTHERS LTD LITH 44 47 BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN

Chapter XIX.

No. 7 INVESTMENT.

London, Chatham and Dover Ordinary Stock.

(See Chart 10, page 94.)

THERE is as much as eleven millions nominal value of this stock in existence, and it is, with old-fashioned investors, one of the most favourite "nest-eggs." "Little Chats" in fact, as the stock is familiarly called, is, perhaps, more held for this purpose than any other stock.

No dividend has ever been paid, and opinions as to the possibilities of a distribution in future are very divided. Some believe that no dividends ever will be paid; whilst others hopefully look forward to every yearly meeting, imagining that they may receive the long-looked for prize.

Such a divergence of opinion causes a constant and lively market, and makes this security one of the best speculative investments on the list of Home Railway issues.

Large blocks of stock are at all times changing hands, and, consequently, the difference between the buying and selling price is very small.

The regularity with which the price moves up and down is astonishing. The extreme extent of the oscillation usually takes place between 13 and 29, whilst the difference between the highest and lowest

prices reached in each year varies from 5 to 8 points. Some years the price moves between 20 and 30, and in other years between 20 and 10.

There is a saying on the Stock Exchange that it does not matter at what price Chatham Ordinary is bought, because in time it can always be resold at the same price. "Vox populi, vox Dei."

No matter what number of years be taken into calculation for ascertaining the inherent value of this stock, the figure always comes out as near as possible at 20, which proves that the popular decision, as to the inherent value, seems not without justification. Everyone feels that dealing in Chatham Ordinary at about 20 cannot end in disaster.

Chart No. 9 shews with what extraordinary regularity the stock moves, and as the security is very cheap, and a good amount can be bought for a small outlay, it pays well to deal in it.

Taking the stock at an average price of 20, the cost to keep £1,000 Chatham Ordinary for one year, when money is calculated at 5 per cent., is £10 per annum. Thus one single sale per annum at 1 point profit covers the cost of keep. As the fluctuations are usually within comparatively limited bounds, the stock should always be sold at a small profit, and repurchased 1 point below the last sale price.

As will be seen by Chart No. 17, the fluctuations in price are constant and regular, and even on a very conservative basis of profit-taking, we arrive at the following results :—

For 1895 the profit was	£115
„ 1896 „ „ „	180
„ 1897 „ „ „	110
„ 1898 „ „ „	105
Total profit for 4 years	£510

or at an average rate of £127 10s. per annum. This, on a capital of £400 amounts to over 25 per cent., after making full allowance for additional interest on purchases for averaging purposes.

We do not recommend that an investor with a capital of, say, £1,000 available for dealing in Chatham Ordinary should lay it all out at once on this stock; it would, in our opinion, be wiser for him to spend only £500 on Chatham Ordinary.

The remaining £500 should not, however, be kept idle pending the necessity arising for averaging the stock on a fall, but should, in the meantime, be placed in a sound 5 per cent. investment stock, like Illinois Central, which could be used as collateral security against a loan of further capital for averaging purposes, should the necessity arise.

By this means the additional stock can be bought and held without any expense, as the annual interest yielded on Illinois Central should equalise the interest charged upon the fresh capital necessary for averaging.

It will be noticed that, throughout the four years under discussion, averaging became necessary only once a year, whilst no second averaging was ever required. This is but natural, when the constant fluctuations and the lively market are taken into consideration.

Anyone wishing to ascertain the difference in movements between a good speculative stock and a slow investment stock should compare the appearance of the Chatham Ordinary Chart with that of the New South Wales and the Illinois Central Chart.

Chatham Ordinary is a stock upon which, we are prepared to say, it is impossible to make a loss, however the stock goes, if the rules laid down are followed.

Starting with a capital of, say, £1,000 actual cash, and buying £2,000 nominal value at, say, 25, the investor spends £500 only on Chatham Ordinary, the remaining £500 being spent in the way previously suggested.

Having bought at 25, which, it must be borne in mind, is an extremely bad case, being 5 points above the inherent value, the investor waits for a rise or fall of 2 points.

Take the blackest view. The stock falls to 23, another £2,000 stock is bought. The stock again falls to 21, and a further £2,000 is bought. The investor has now £6,000 stock at an average price of 23, and after a fall from 25 to 21, it is more than likely that a reaction will take place, which will enable him to sell his whole £6,000 at a profit, say of even only ½ per cent. The stock, however, being so cheap, the process can be repeated down to the very lowest point, viz., 14½, which absolutely insures a final handsome profit, as soon as the backward swing of the financial pendulum causes prices to right themselves.

The profit result quoted in the Chart above will certainly surprise all those who have held Chatham Ordinary for years, and have never made a penny profit out of it. No matter at what price they originally bought, they must repeatedly have seen the stock much above and much below the price they paid for it, and large profits were in this way within sight.

It may be galling news to them to hear that they have helped to stock the river for others to fish with splendid results. So it has been for generations past, and so to some extent it will be for generations to come, although a sounder knowledge of the nature of Stock Market fluctuations daily adds to the already large number of profit anglers in the Chatham Ordinary river.

No. 7 INVESTMENT.

Original Investment £2000 @ 18 = £360.

LONDON, CHATHAM & DOVER RAILWAY ORDINARY STOCK.

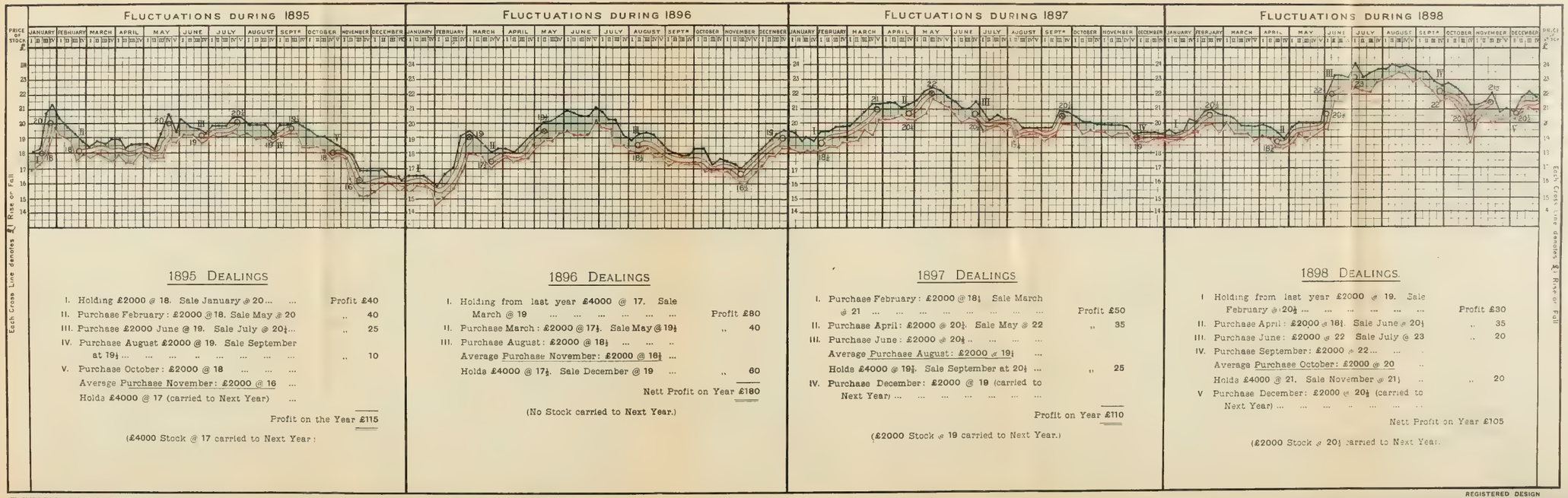
Chart No. 10.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO CHATHAM ORDINARY.

(Same as Great Central Deferred.)

Atchison Common
Barnato Consols
Bechuanaland Exploration
Bolivar Limited Railway Shares
Buffelsdoorn Estates and Gold Mining
Cambrian Railways Preferred
Chartered
Chesapeake & Ohio Ordinary
Consolidated Main Reef
Cordoba & Rosario Railway 6 per Cent. Preference
Cordoba Central Income
Denver Ordinary
East Rand
Entre Rios Railway Limited Ordinary Stock
Erie Ordinary
Glasgow & South Western Deferred Ordinary
Grand Trunk Ordinary
Grand Trunk 2nd Preference
Grand Trunk 3rd Preference
Great Central Deferred
Great Northern Deferred Converted Ordinary
Matabele Gold Reefs and Estates
Metropolitan District Ordinary
Mexican Central Railway Consolidated First Income Bonds
Mexican Rails Ordinary
Mexican Rails 2nd Preference
Mexican Southern Railway Ordinary
Missouri Ordinary
New Modderfontein Gold Mining Company
New Rietfontein Estates
Nigel Deep
Norfolk & Western Ordinary
North British Deferred
North Western of Uruguay Railway 5 per Cent. 2nd Preference Stock
Northern Pacific Common
Oceana Consols
Ontario
Peruvian Corporation
Randfontein Estates
Reading Ordinary
Reading 2nd Preference
Robinson Randfontein
San Paulo Railway
South West of Venezuela 3½ per Cent. 2nd Mortgage Debenture Stock
Southern Railway Ordinary
Union Pacific Ordinary
Van Ryn
Vogelstruis Estates and Gold Mining
Wabash "B" Debentures
Wabash Common
Wabash Preference
Willoughby Consols

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1/-) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.



1895 DEALINGS

I.	Holding £2000 @ 18. Sale January @ 20	Profit £40
II.	Purchase February: £2000 @ 18. Sale May @ 20	,, 40
III.	Purchase £2000 June @ 19. Sale July @ 20½ ...	,, 25
IV.	Purchase August £2000 @ 19. Sale September at 19½	,, 10
V.	Purchase October: £2000 @ 18	
	Average Purchase November: £2000 @ 16 ...	
	Holds £4000 @ 17 (carried to Next Year) ...	
	Profit on the Year	£115

(£4000 Stock @ 17 carried to Next Year.)

1896 DEALINGS

I.	Holding from last year £4000 @ 17. Sale March @ 19	Profit £80
II.	Purchase March: £2000 @ 17½. Sale May @ 19½	,, 40
III.	Purchase August: £2000 @ 18½	
	Average Purchase November: £2000 @ 16½ ...	
	Holds £4000 @ 17½. Sale December @ 19 ...	,, 60
	Nett Profit on Year	£180

(No Stock carried to Next Year.)

1897 DEALINGS

I.	Purchase February: £2000 @ 18½ Sale March @ 21	Profit £50
II.	Purchase April: £2000 @ 20½. Sale May @ 22	,, 35
III.	Purchase June: £2000 @ 20½	
	Average Purchase August: £2000 @ 19½ ...	
	Holds £4000 @ 19½. Sale September at 20½ ...	,, 25
IV.	Purchase December: £2000 @ 19 (carried to Next Year)	
	Profit on Year	£110

(£2000 Stock @ 19 carried to Next Year.)

1898 DEALINGS.

I	Holding from last year £2000 @ 19. Sale February @ 20½	Profit £30
II.	Purchase April: £2000 @ 18½. Sale June @ 20½	,, 35
III.	Purchase June: £2000 @ 22 Sale July @ 23	,, 20
IV.	Purchase September: £2000 @ 22	
	Average Purchase October: £2000 @ 20 ..	
	Holds £4000 @ 21. Sale November @ 21) ..	,, 20
V	Purchase December: £2000 @ 20½ (carried to Next Year)	
	Nett Profit on Year	£105

(£2000 Stock @ 20½ carried to Next Year.)

STRAKER BROTHERS LTD LITHRS 44-47 BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN

Chapter XX.

No. 8 INVESTMENT.

Canadian Pacific Railway Common Stock.

(See Chart 11, page 100.)

This Company possesses a main line nearly 3,000 miles long, and also operates over 9,000 miles of track. The 15 years since the opening of the line have naturally not sufficed to fully develop an undertaking of such magnitude, and the Company's business is as yet in its infancy.

Hundreds of miles of this system still traverse virgin lands, untouched by cultivation, and years must elapse before these lands yield revenue and the Canadian Pacific reaps the full benefit of its possibilities.

When considering a stock of this position, a calculation of inherent value would be injudicious and misleading, as possibilities, and not certainties, would have to be taken into consideration.

Chart 11 fully illustrates this argument. When a stock moves between 34 and 94 in the space of three years it can only be called a speculation. Future generations will most likely deal in Canadian Pacific at hundreds per cent. premium, as there is no undertaking in the world with equally fine prospects. Present generations, however, must expect to see this

stock oscillate widely between a premium and a heavy discount.

As a speculation with uncertain dividends but a large chance of increase in capital value, Canadian Pacific has hardly its equal, and, worked with prudence and plenty of capital, no stock is likely to give the investor a better yield, coupled with smaller risk.

A large fall in price of Canadian Pacific took place at the commencement of 1895, which fall we have made our investor utilise in a manner often adopted, but as yet unexplained in this book.

The investor who is a holder of 50 shares, at 60½, commenced by averaging on the first fall of 5 points. The fall continued, and he then decided to wait for a fall of 10 points, or double his original limit, with a view to always doubling the quantity bought on a further similar fall. This being possible at 45½, he bought a further 100 shares, and on the stock receding another 10 points, he bought a further 200 shares, which made his total holding 400 shares, at an average price of 43⅝, costing £3,490.

This is a much larger amount of money than he wished to invest in any one security, and it induced him to lighten his load on the first profitable opportunity by disposing of his stock in successive separate parcels of 100 shares.

The recovery was just as sudden as was the fall. He therefore sold one parcel after another without intermediate purchases, until he disposed of all his stock at a good profit.

Had the reverse been the case, and had a fall taken place between each rise, he would have, on each reaction, repurchased 100 shares. No such possibility occurred, and the last lot was sold at 60⅝, or only ⅛ per cent. above the original purchase price.

The total profit made on these combined transactions amounts to £760, or over 20 per cent. on the maximum capital at any one time involved in this transaction.

Opportunities of this description are much more frequent than some investors imagine; and they fully repay the trouble of the closest examination.

Frequently some investment suddenly becomes entirely discredited. In the case of Canadian Pacific, a stoppage of dividend and bad management caused the alarm. Prior to 1895 the dividends were guaranteed by the Canadian Government. A good many holders were ignorant of this fact, and attributed the sudden stoppage in dividends entirely to deterioration of earning powers.

This dividend, having become a regular factor in their incomes, investors missed it, and decided to sell out with a view to investing in a more stable security. The market was not prepared to absorb the enormous quantity of stock thus suddenly offered; hence the fall.

It often happens that when a good security is suddenly attacked by newspapers, financiers and stock dealers, the holders become alarmed, and a general scramble to get out takes place. On every such occurrence the prudent investor should consider the facts, enquire into the real prospects, and then decide how to act.

Our plan, as illustrated by the figures of Chart 11 for 1895, is not always the best way to meet this emergency; drastic measures, namely, a sale at a loss between 55 and 45, might have been more prudent, and might have involved less risk.

When the stock stood at 55 it was patent to everybody what was likely to happen. There was no certainty of a steady recovery; the management of the

Company was bad at the time; it might have taken years instead of months to mend matters; and a speedy sale, in this instance, might have been the best expedient. It would have enabled the investor to calmly contemplate the future fall, and to repurchase as soon as a steady recovery had set in.

This plan, often by far the best, prevents undue risk, and investors in extreme cases will find it very advantageous to follow the market instead of going against it when a steady fall is in progress, and to repurchase after a steady rise, covering a period of a few weeks, has been experienced. They would sell, in such a case, several points below the highest and buy several points above the lowest.

These remarks may seem heterodox to those investors who consider it the height of perfection to get in at the lowest and out at the highest prices, but shrewd old Stock Jobbers have a nasty saying that "Top and bottom prices are caused by fools and made for fools!"

To return to Chart 11; in the remainder of our dealings in Canadian Pacific we have invariably followed the rule that it is best to reinvest after a fall, and the further operations are uninteresting until we reach the period of a sudden rise of 40 per cent. in 1897.

Sudden rises of this description, though rare, are not unknown. Had the investor been sure that such a rise would occur he would, of course, have held his stock and sold at top prices; but such knowledge is impossible, and ought for this reason not to be taken into one's calculations, as usual and not unusual experiences must be our mentor.

In this instance the investor lost his chances between 58 and 61½, 66½ and 72, 77, and 84. Yet he acted wisely.

After a considerable rise stocks usually fall. This rule is clearly illustrated by all the Charts contained in this book, and should always be followed.

In one case out of every fifty an exception will take place, but to follow the exception instead of the rule would mean obviously a loss of profit in forty-nine cases out of fifty.

"In such a position when should I buy back?" asks our reader. "On every fall, as we have done," is our answer. In only one instance has this rule been disregarded in Canadian Pacific, by a purchase at the top price of 84, and the transaction proved troublesome.

Had the investor followed the rule, waited a little longer, and bought at 82 after a fall, he would have been following a much more prudent course.

Another similar purchase which was entered into at 91, in 1898, still further proves our case, and another troublesome transaction resulted.

Many of these examples have been noted in previous Charts, and they will suffice to show that these Charts have not been prepared with a view to shewing large imaginary profits, calculated after the event, but that, throughout, a certain policy is adopted and adhered to, and all dealings are carried out as if the future were unknown.

The future is always uncertain. Though little can be foretold with certainty, much can be prognosticated, and the lessons of this book are how to do this, and how to act upon the conclusions arrived at.

The total results of dealing in Canadian Pacific are, of course, very satisfactory, and are always likely to be so when an investment of this class is properly understood and properly handled.

"A", without taking any notice of fluctuations, made, on Table 1, £92 in dividends, and £270

increase in capital value out of this stock. Chart 11 shews that, without taking any unforeseen chances into calculation, active dealings achieved the following results :—

For 1895 the profit was ...	£834	10	0
„ 1896 „ „ ...	189	6	8
„ 1897 „ „ ...	259	13	4
„ 1898 „ „ ...	317	13	4
Total nett profit for four years	£1,601	3	4

The difference between the two modes of dealing amounts to nearly £1,250 in favour of active dealing. When such possibilities are disregarded the income from investments cannot be satisfactory, however good the investor's initial selection may be.

No. 8 INVESTMENT.

Original Investment £1000 @ 60½ = £605.

CANADIAN PACIFIC RAILWAY ORDINARY STOCK.

Chart No. 11.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO THE CANADIAN PACIFIC SHARES.

Bombay, Baroda & Central India Stock
Buenos Ayres Great Southern Shares
Chicago & Milwaukee Common Stock
Denver Preferred Shares
Erie Preference Shares
Grand Trunk Guaranteed Stock
Great Central Railway 1st Preferred
Great Eastern Railway
Great Indian Peninsular Capital Stock
Great Northern Preferred Converted Ordinary
Illinois Central Shares
London & North Western
Louisville & Nashville Common Stock
Metropolitan Railway Consolidated
Midland Deferred
Norfolk & Western Preferred Shares
North British Preferred Ordinary
Northern Pacific Preferred Shares
South Eastern Deferred (Dover "A")
Southern Railway Preferred Shares
Union Pacific Preferred Shares
Wabash Railway 1st Mortgage Bonds

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1 -) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.

FLUCTUATIONS DURING 1895

1895 DEALINGS.

I. Holding 50 Shares @ 60½ ... ...
Average Purchase Feb.: 50 Shares @ 55½; March 100 Shares @ 45½; March: 200 Shares @ 35½ ... ...
Holds 400 Shares at average of 43⅜ ... ...
Sale May, 100 Shares @ 45⅝ ... ... Profit £40 0 0
,, May, 100 ,, ,, 50⅜ ... ... ,, 140 0 0
,, July, 100 ,, ,, 55⅛ ... ... ,, 240 0 0
,, July, 100 ,, ,, 60⅛ ... ... ,, 300 0 0

II. Purchase July: 50 Shares @ 57 ... ...
Average Purchase July: 50 Shares at 52 ...
Dividend August on 100 Shares (1½ p.c. for year) 14 10 0
Holds 100 Shares @ 54½; Sale Sept. 100 Shares @ 59½ ... ... ,, 100 0 0

III. Purchase Nov. 50 Shares @ 57 carried to Next Year ... ...

Profit on Year £834 10 0

(50 Shares @ 57 carried to Next Year.)

FLUCTUATIONS DURING 1896

1896 DEALINGS.

I. Holding from 1895: 50 Shares @ 57 ... ...
Average Purchase Jan.: 50 Shares @ 52 ...
Holds 100 Shares @ 54½. Sale Feb.: 100 Shares @ 59½ ... ... Profit £100 0 0

II. Purchase March: 50 Shares @ 58. Sale April @ 61 ... ... ,, 50 0 0

III. Purchase July: 50 Shares @ 62 ... ...
Average Purchase Aug.: 50 Shares @ 57 ...
Holds 100 Shares @ 59½ ... ...
Auguet Dividend on these (2 p.c. per year) ... 19 6 8
Sale: 100 Shares Sept. @ 60½ ... ... ,, 20 0 0

IV. Purchase Oct.: 50 Shares @ 58 carried to Next Year .. ..

Profit on Year £189 6 8

(50 Shares @ 58 carried to Next Year).

FLUCTUATIONS DURING 1897

1897 DEALINGS.

I Holding 50 Shares from 1896 @ 58. Feb. Dividend on same £9 13 4
Purchase to average March. 50 Shares @ 53
Purchase to average April: 50 Shares @ 48
Holds 150 Shares, average 53, Sale June @ 5° Profit 150 0 0

II. Purchase June: 50 Shares @ 61½ Sold July @ 66½ ... ,, 50 0 0

III Purchase August: 50 Shares @ 72. Sale Sept @ 77 ,, 50 0 0

IV Purchase Oct.: 50 Shares @ 84 Average Purchase Nov. 50 Shares @ 73½

Profit on Year £259 13 4

(Holds 100 Shares @ average of 81½ carried to Next Year).

FLUCTUATIONS DURING 1898

£1000 @ 55 for whole year
Div. £9 13 4
on £1000

1898 DEALINGS

I. Holding from last year 100 Shares @ 81½. Sale January @ 86½ ... ... Profit £100 0 0

II Purchase January: 50 Shares @ 91 ...
Average Purchase Feb.: 50 Shares @ 86 ...
Feb. Dividend on 100 Shares 47 13 4
Further Average Purchase April: 50 Shares @ 81 ... ...
Holds 150 Shares, average 86. Sale June @ 88 ,, 60 0 0

III. Purchase July: 50 Shares @ 85. Sale Sept. @ 90 ,, 50 0 0

IV. Purchase Oct.: 50 Shares @ 87 ... ...
Average Purchase Nov.: 50 Shares @ 82 ...
Holds 100 Shares at average of 84½. Sells 50 Dec. @ 87½ ... ... ,, 30 0 0
Holds 50 Shares @ 84½, carried at 87½ to Next Year, profit on revaluation 3 per cent. ... 30 0 0

Nett Profit on Year £317 13 4

(50 Shares @ 87½ carried to Next Year).

STRAKER BROTHERS LTD. LITHOS 44 47 BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN

Chapter XXI.

No. 9 INVESTMENT.

Mexican Railway 1st Preference Stock.

(See Chart 12, Page 104.)

THE issues of the Mexican Railway have experienced considerable ups and downs. After being almost unsaleable, the Ordinary stock rose to 149⅛. No dividends had been distributed for years, when suddenly large dividends were earned and paid. These again ceased after a time and were then resumed at odd intervals.

These vicissitudes made the price of Mexican Railway stocks subject to great variation, and during the last decade, the Ordinary stock moved between 14 and 67¾, the 2nd Preference between 27 and 95, and the 1st Preference—which here concerns us—between 57 and 135.

When analysing a stock of this sort, all the issues of the same Company should be taken into consideration, as they serve as a guide in making a valuation. This maxim applies especially to dividend prospects.

In the case of the Mexican Railway, the records prove that the 1st Preference stock is always likely to get some dividend, whilst the other issues have doubtful prospects, and depend on the price of silver and on temporary spurts in Mexican trade for any dividend distribution.

A close study of the figures reveals that the inherent value of the 1st Preference has for years past stood at about 75.

These Mexican Railway Stocks have always been very speculative securities. Prudent speculators, nevertheless, hardly ever lose by dealing in them, whilst others who have held them for years have lost millions.

No better proof of the soundness of the course advocated by us in this book can be adduced than the experience of the Mexican Railway shareholders. Those who have held for years, still hold the stocks at prices on the average over 100, whilst others, who have sold and bought when opportunity arose, have received back as profits the whole of the capital originally invested, still retain their stock paid for, and are making a handsome annual income out of it.

In spite of all the ups and downs of the Mexican Railway Company, the price of the First Preference moves very regularly, and dealings in the stock are comparatively easy, as will be seen by a glance at Chart 12.

This Chart, when compared with the Canadian Pacific Railway Chart, shews a great similarity, and yet the fluctuations are not so erratic as in the case of the latter Company.

Here we have a proof of the value of age in a stock Being seven years older, and infinitely smaller in scope than the Canadian Pacific, the Mexican Railway is fully developed. The likely influence of events can be foretold, and there are no special surprises in store for the investor.

In the case of Canadian Pacific Common he has to face erratic rises and falls, brought about by unexpected events, which often entirely upset his

calculations; and yet the Canadian Pacific is nearly 20 years old.

How much more unsatisfactory must it be to deal in a stock of an enterprise which has only lately been established.

There is always a ready market for Mexican Railway 1st Preference stock, and Stock Dealers are eager to make a close price in it. The result of the dealings, therefore, on Chart 12 are highly satisfactory, as a steady return year by year is shewn:—

For 1895 the profit was	...	£228	0 0
„ 1896 „ „ „	...	276	0 0
„ 1897 „ „ „	...	190	0 0
„ 1898 „ „ „	...	250	0 0
Total profit in four years	...	£944	6 0

This profit is less than the sum made on Canadian Pacific, yet, all things considered, it is more desirable, as no special risks of large quantities of stock had to be taken, and the largest amount of money ever invested in this venture never exceeded £1,520.

Holdings of stock like Mexican Railway 1st Preference, coupled with a sufficient reserve of capital invested in stocks like Illinois Central and New South Wales 3½ per Cents., form the safest basis for making the largest return on capital.

It may be worth noting, as a curious coincidence, that the issues of the Mexican Railway meet in themselves the wants of nearly every class of investor. As will be seen from "Duncan's Investment Tables," the 6 per cent. Debenture Stock has steadily risen in value during the last 15 years. The interest is well secured. This stock, therefore, affords

a safe unchanging income. The 8 per Cent. 1st Preferred is more doubtful as regards dividends, but affords larger possibilities of profitable fluctuations. This is the stock for the investor who desires a small income with growing capital value.

The 2nd Preference dividends are problematical and, thus, this stock should be selected by those who wish growing capital value without regard to income.

Mexican Railway Ordinary has little chance of a dividend and ranks with such stock as Great Central Deferred and Chatham Ordinary.

Original Investment £1000 Stock @ 57 = £570.

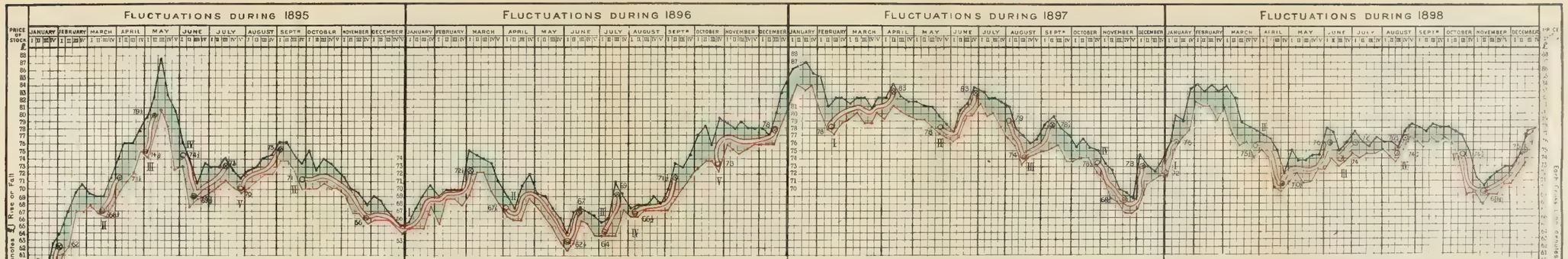
MEXICAN RAILWAY 1ST PREFERENCE STOCK.

Chart No. 12.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO MEXICAN RAILS 1st PREFERENCE.

- Argentine Great Western
- Argentine North Eastern
- Argentine North Western
- Buenos Ayres & Pacific Preferred
- Buenos Ayres & Rosario
- Buenos Ayres & Rosario Ordinary
- Caledonian Deferred Converted Ordinary
- Caledonian Preferred
- Canadian Pacific Non Cumulative 4 per Cent. Preference Stock
- Chatham 2nd Preference
- City & South London Railway Converted Ordinary
- Cordoba & Rosario
- Entre Rios Railway 5 per Cent. Preference Stock
- Furness Railway Ordinary
- Grand Trunk 1st Preference
- Great Central Preferred
- Great Northern "A"
- Great Northern Deferred Converted Ordinary
- Great Western of Brazil Railway Shares
- Hull & Barnsley
- London & South Western Deferred
- Manila Railway 6 per Cent.
- Metropolitan District 5 per Cent. Preferred
- Metropolitan Surplus Lands
- Mexican Southern Railway Stock
- Midland of Uruguay Railway Stock
- Minas & Rio Railway Stock
- Minneapolis St. Paul Preferred
- North British Railway Ordinary
- Taff Vale Ordinary

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1/-) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.



1895 DEALINGS.

I.	Holds £1000 @ 57. Sale February @ 62 ...	Profit £50 0 0
II.	Purchase March: £1000 @ 68½. Sale April @ 71½	,, 50 0 0
III.	Purchase May: £1000 @ 74½. Sale May @ 79½	,, 50 0 0
IV.	Purchase June: £1000 @ 74½. Average Purchase June: £1000 @ 69½	
	Holds £2000 @ average of 72. Sale July @ 73	,, 20 0 0
V.	Purchase July: £1000 @ 70. Sale Sept. @ 75	,, 50 0 0
VI.	Purchase September: £1000 @ 71. November Dividend on this stock	8 10 2
	Average Purchase November: £1000 @ 66 ...	
	Holds £2000 @ average of 68½ (carried to Next Year)	
	Profit on Year	£228 10 2

(£2000 Stock @ 68½ carried to Next Year.)

1896 DEALINGS.

I	Holding from 1895 £2000 @ 68½. Sale March @ 72½	Profit £80 0 0
II.	Purchase April: £1000 @ 67½. Average Purchase June: £1000 @ 62½	
	May Dividend on £1000 Stock	2 8 6
	Holds £2000 @ average of 65. Sale June @ 67	,, 40 0 0
III.	Purchase July: £1000 @ 64. Sale July @ 69...	,, 50 0 0
IV.	Purchase August: £1000 @ 66½. Sale Sept. @ 71½	,, 50 0 0
V.	Purchase October £1000 @ 73. November Dividend on this	3 13 0
	Sale December: £1000 @ 78	,, 50 0 0
	Nett Profit for the Year	£276 1 6

(No Stock carried to Next Year.)

1897 DEALINGS.

I.	Purchase February: £1000 @ 78. Sale April @ 83	Profit £50 0 0
II.	Purchase May: £1000 @ 78. Sale June @ 83	,, 50 0 0
	Dividend on May Purchase of £1000 Stock ...	10 5 8
III.	Purchase Aug: £1000 @ 79. Average Purchase Aug: £1000 @ 74	
	Holds £2000 @ average of 76½. Sale £2000 September @ 78½	,, 40 0 0
IV.	Purchase October: £1000 @ 73½. Average Purchase November: £1000 @ 68½	
	Holds £2000 @ average of 71. Sale December @ 73	,, 40 0 0
	Nett Profit on Year	£190 5 8

(No Stock carried to Next Year.)

1898 DEALINGS.

I.	Purchase January: £1000 @ 72. Sale January @ 76	Profit £40 0 0
II.	Purchase March: £1000 @ 76½. Average Purchase April £1000 @ 70½	
	Holds £2000 @ 73. Dividend on this Stock ...	18 3 0
	Sale £2000 @ 76	,, 60 0 0
III.	Purchase June: £1000 @ 74. Sale July @ 76...	,, 20 0 0
IV.	Purchase Aug.: £1000 @ 74½. Sale Aug. @ 76½	,, 20 0 0
V.	Purchase October: £1000 @ 74½. Dividend on this Stock	12 13 10
	Average Purchase £1000 November @ 69½ ...	
	Holds £2000 @ average of 72	
	Sale £1000 December @ 75	,, 30 0 0
	Carried £1000 to Next Year @ 77 on this Re-valuation	,, 50 0 0
	Nett Profit on the Year	£250 16 10

(£1000 Stock @ 77 carried to Next Year.)

STRAKER BROTHERS LTD. LITHO'S 44 47 BISHOPSGATE WITHOUT LONDON

Chapter XXII.

No. 10 INVESTMENT.

Suez Canal Shares.

(See Chart 13, page 108.)

THIS is a first-class old-fashioned investment, which combines safety of dividends with speculative opportunities.

An ordinary holder of Suez Canal shares receives only the same yield on his money invested as does a holder of the best gilt-edged Home Railway Preference stock. The speculative investor on the other hand can usually manage to make over 10 per cent. on his capital without running much risk.

Being one of the leading speculative securities on the Paris Bourse, the fluctuations in Suez Canal shares are considerable, and yet there is a great degree of safety in holding quantities of this stock.

A low price never prevails for any length of time. Every fall attracts new investors prepared to take the shares off the market, and a rise invariably follows.

Being classed, as regards safety, with the best sort of Home Railway Preference stocks, the Bank Rate has a great influence on this security, but the progressive tendency of the capital value of Suez Canal

shares induces buyers to purchase at a price which even pays a lower rate than they would obtain from an investment in many of our best Home Railway Preference issues.

The fluctuations during 1895-99, given on Chart 13, shew how very regularly the price moves, and how very difficult it would be to make an injudicious purchase of these shares. Averaging, to be sure, had in some instances to be resorted to, but never to such a great extent as in the speculative securities heretofore dealt with.

The Chart shews that, closely calculated, the average capital employed in the dealings falls short of £1,500, if taken over the whole period, and yet the following are the results:—

For 1895 the profit was	...	£112	0 0
„ 1896 „ „ „	...	253	0 0
„ 1897 „ „ „	...	130	0 0
„ 1898 „ „ „	...	207	0 0
Total profit for four years		£702	0 0

or an average of £186 per annum, being over 10 per cent. on the mean capital invested.

Without taking chances of profits, the results were of course much poorer. "A" made on Table 1 £74 in dividends, and £170 in increased capital value; in all £244 in 4 years, which equals £61 per annum.

Some of our readers may consider the above results of dealing in Suez Canal shares unsatisfactory, when compared with the profits made on stocks like Chatham Ordinary and others, but a great factor has here to be considered.

In all transactions of this class, risk and convenience must be taken into consideration.

As we will shew below, the whole capital in the case of Chatham Ordinary is always locked up, whilst in the case of Suez Canal, even after averaging, a large amount of capital employed could have been withdrawn.

Few bankers would refuse to advance £1,700 on £2,000 worth of Suez Canal shares.

The investor who has bought £2,000 worth of Suez Canal shares and paid only £1,000 on account can, therefore, at any time borrow £1,700 on £2,000 worth of these shares.

This means that £1,000 capital could be borrowed for averaging purposes, whilst £700 of the original capital could be withdrawn and used, in case of panics or troubles, to protect other bargains.

Chatham Ordinary cannot be so dealt with.

An investor who holds £2,000 nominal value of Chatham Ordinary, and has already borrowed £200 thereon, will find the greatest possible difficulty in borrowing any further money.

Bankers will usually advance within 10 per cent. or 15 per cent. of the actual value of stocks. When Suez Canal shares stand at 140, £100 to £150 of capital will suffice to take 10 shares off the market.

But take Chatham Ordinary. The price, say, is 25. The banker will advance £100 to £120 on £1,000 stock, nominal value, which is less than half the actual value, and no capital can therefore be withdrawn.

Bankers are always eager to advance money on dividend-paying securities, but reluctant to do so on non-dividend-paying stock. This is another reason why money can always be borrowed on such shares as Suez Canal, but considerable difficulty will be experienced in borrowing on a stock like Chatham Ordinary.

The inherent value of Suez Canal shares is easily ascertained. Capitalising the dividend, which only varies fractionally, on a gilt-edged firm security basis, proves a value of about £135 per share. This basis of calculation remains accurate so long as the average Bank Rate varies between 3 and 4 per cent., and English Consols stand at about 105.

Should both these latter facts permanently alter, the above basis of calculation for ascertaining the inherent value of Suez Canal shares would have to be proportionately altered.

In 1898 about 135 was the inherent value of Suez Canal shares, and yet we commenced with purchases at 143 in that year. To a permanent holder such purchases would have been disastrous, but, as we have often stated heretofore, to investors who deal on our plan, the purchase-price is more or less immaterial, since averaging always enables them to ultimately dispose of dear stock at a profit.

As a reserve fund for operations in more speculative securities, the investment of money in Suez Canal shares cannot be improved upon.

These shares have three advantages. They are first class dividend payers, money can always be borrowed thereon, and they form an eminently suitable security for protecting bargains of a speculative nature.

Original Investment 10 Shares @ 124 = £1240.

SUEZ CANAL SHARES.

Chart No. 13.

STOCKS WITH SIMILAR MARKET MOVEMENTS TO SUEZ CANAL SHARES.

Atlantic First Leased Lines Rental Trust Stock

Barry Consolidated 4 per Cent. Preference

Caledonian Railway Ordinary

Furness Railway Preference

Great Eastern Railway Preference

Great North of Scotland 4 per Cent. Lien Stock

Great Northern Railway Preference

Great Western

Illinois Central Common Stock

Lancashire & Yorkshire Railway

London, Brighton & South Coast Railway Deferred

London, Brighton & South Coast Railway Ordinary

London, Chatham & Dover Arbitration Preference

London & North Western Railway

London & South Western Railway Ordinary

London, Tilbury & Southend Railway Consolidated Stock

Metropolitan Railway Consolidated Ordinary

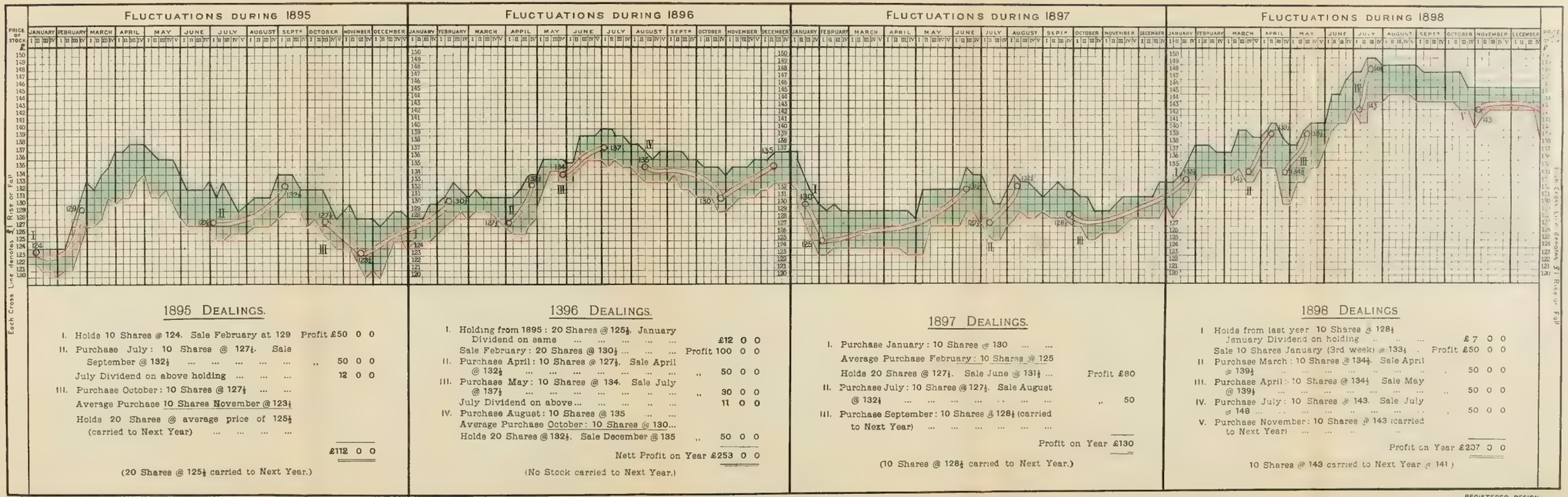
New York Central

North Eastern Railway Ordinary Stock

North Staffordshire Railway Consolidated Ordinary

South Eastern Railway Ordinary Stock

For 15 years' Highest and Lowest Prices, Dividends, etc., of the above Securities see DUNCANS' INVESTMENT TABLES, which will serve as an excellent guide to Investors, and can be obtained (price 1/-) from the Compilers, W. W. Duncan & Co. Ld., 8 & 9, Waterloo Place, London, S.W.; or the Publisher, Effingham Wilson, Royal Exchange, London, E.C.



1895 DEALINGS.

I. Holds 10 Shares @ 124. Sale February at 129 Profit £50 0 0

II. Purchase July: 10 Shares @ 127½. Sale September @ 132½ ... ... ,, 50 0 0

July Dividend on above holding 12 0 0

III. Purchase October: 10 Shares @ 127½ ... ...

Average Purchase 10 Shares November @ 123½

Holds 20 Shares @ average price of 125½ (carried to Next Year) ... ...

£112 0 0

(20 Shares @ 125½ carried to Next Year.)

1896 DEALINGS.

I. Holding from 1895: 20 Shares @ 125½. January Dividend on same £12 0 0

Sale February: 20 Shares @ 130½ ... ... Profit 100 0 0

II. Purchase April: 10 Shares @ 127½. Sale April @ 132½ ... ... ,, 50 0 0

III. Purchase May: 10 Shares @ 134. Sale July @ 137½ ... ... ,, 30 0 0

July Dividend on above... ... ... 11 0 0

IV. Purchase August: 10 Shares @ 135 ... ...

Average Purchase October: 10 Shares @ 130...

Holds 20 Shares @ 132½. Sale December @ 135 ,, 50 0 0

Nett Profit on Year £253 0 0

(No Stock carried to Next Year.)

1897 DEALINGS.

I. Purchase January: 10 Shares @ 130 ... ...

Average Purchase February: 10 Shares @ 125

Holds 20 Shares @ 127½. Sale June @ 131½ ... Profit £80

II. Purchase July: 10 Shares @ 127½. Sale August @ 132½ ... ... ,, 50

III. Purchase September: 10 Shares @ 128½ (carried to Next Year) ... ...

Profit on Year £130

(10 Shares @ 128½ carried to Next Year.)

1898 DEALINGS

I. Holds from last year 10 Shares @ 128½

January Dividend on holding £7 0 0

Sale 10 Shares January (3rd week) @ 133½ ... Profit £50 0 0

II. Purchase March: 10 Shares @ 134½. Sale April @ 139½ 50 0 0

III. Purchase April: 10 Shares @ 134½ Sale May @ 139½ 50 0 0

IV. Purchase July: 10 Shares @ 143. Sale July @ 148 ... ... 50 0 0

V. Purchase November: 10 Shares @ 143 (carried to Next Year) ... ...

Profit on Year £207 0 0

10 Shares @ 143 carried to Next Year @ 141

STRAKER BROTHERS LTD LITHRS 44-47 BISHOPSGATE WITHOUT LONDON

REGISTERED DESIGN

Chapter XXIII.

Maximum and Minimum Incomes.

In the opening chapters we stated that every investor should clearly settle in his mind what result he desires his investments to produce, and having done so, direct his attention to such stocks only as are most likely to give this result with the maximum of probability, and the minimum of risk.

In the first part of this book we give the theory which should always underlie his actions, and, in the second part, the practical way of carrying it out.

The following are the five sub-divisions made by us in Chapter I. These are, of course, liable to variations in particular cases, but for our argument we will retain them as arranged in the first instance:—

A Safe Unchanging Income is best produced by stocks like New South Wales 3½ per cent. (Chapter XIII), Illinois Central 4 per cent. Gold Bonds (Chapter XIV), Suez Canal shares (Chapter XXII), and kindred investments of this class.

The Charts attached to these chapters contain a condensed list of kindred investments, but we should counsel our readers to refer in every instance to "Duncans' Investment Tables" for his final selection.

It is impossible to give a permanent list of what should be chosen, as a list, good for to-day, might, on account of changes in the investment market, be useless a few years hence. An investment desirable

to-day might so rise in price as to become unprofitable, whilst another, too expensive now, might then prove the best selection.

"Duncans' Investment Tables" are annually revised, and the quotations and dividends brought up to date. The theory of selection being once understood, no difficulty will be experienced in always making the best choice.

The three chapters above cited illustrate to a nicety the scope of every investment which is likely to produce a Safe and Unchanging Income. The difference in the results to be obtained by permanent holding against and by taking advantage of fluctuations in price, in this class of security is shewn on Table 1 and Table 3; the investor will, therefore, have no difficulty in deciding which plan to adopt.

If the investor has made up his mind to adhere to a Safe Unchanging Income we should counsel him to take advantage of fluctuations in very drastic cases only.

When any investment shews him a large increase in capital value, and he clearly sees how a sale thereof and the re-investment in another security would better his position, he should act. But he need not watch prices closely; a glance at quotations once every three months will suffice for his purpose.

He should neither buy any stock which does not answer to our definition nor should he ever enter into any speculation, however tempting; he will then be sure of achieving his object. His income will be comparatively very small, it is true, but it will be safe, and free from risks and anxiety.

A Large Income with fair Capital Stability.—Spanish Bonds (Chapter XV), Brazilian Bonds (Chapter XVI), and the kindred investments mentioned on the respective Charts attached to these Chapters are the best stocks to attain this object. Duncans' Investment Tables contain a large number of this class of securities.

Their chief characteristics are a stable rate of interest of over 4 per cent. on the money invested, coupled with a comparative lack of safety in capital value. The larger the interest, the smaller the claim to safety of capital.

To hold stocks of this sort and take no notice of the fluctuations is a most unwise policy. A glance at the Tables will shew how very widely their price fluctuates, and how largely augmented the income can be, by utilising these changes.

In every instance the interest or dividends paid should be regular. Stocks which vary in their interest belong to another class, and are not desirable for producing a large Income with fair Capital Stability.

A Small Income with Growing Capital Value.—Stocks like Metropolitan District 5 per Cent. Preference Stock (Chapter XVII) and Mexican Railway 1st Pref. Stock (Chapter XXI), when bought much below their inherent value, are stocks likely to produce this result. The dividends paid are comparatively small, and especially so when the stock is cheap and should be bought.

Metropolitan District Preferred paid under 3 per cent. and Mexican Railway Preferred under 2 per cent. when they were selling below their inherent value; now they pay more and are dearer. But, as history always repeats itself, the dividends are likely, sooner or later, to again recede, and the prices are sure to follow suit.

A study of current quotations in conjunction with the Highest and Lowest records contained in "Duncans' Investment Tables" will always enable the Investor to discover stocks of this class which pay a small income, and are selling much below their inherent value.

At the time of writing, Great Central Preferred Ordinary at 35, Great Northern "A" at 51, North British Deferred Ordinary at 39—three stocks

selected out of one market—would answer this description. Like chances are constantly offering in all markets.

The small rate of interest is compensated for by the probable increase in capital value, but, taking advantage of fluctuations must, in this case, be insisted upon, if a good result is to be obtained.

The Chapters above referred to fully explain why holders of this class of stock cannot afford to disregard fluctuations.

A safely Growing Capital Value without regard to Income.—In this instance dividends and interest should be entirely disregarded. Canadian Pacific shares (Chapter XX), offered in 1895 an ideal chance for obtaining the above object. The dividends had almost stopped, the price of the stock had dropped to 35 per cent. below its inherent value, and the prospects looked very gloomy. All the same, careful students, of the possibilities offered by this road could not have mistaken the chance.

To select a stock for attaining the above purpose requires much practice and sound judgment. At the time of writing, some of the better Preference and Ordinary stocks of American Railways are offering such chances, but recent re-constructions and assessments have made it difficult to fix their inherent value.

The majority of English investors seem to consider "Chartereds" (British South Africa Company's shares) a premier investment of this class, but as these shares can scarcely be judged with any degree of certainty, investors usually select non-dividend paying stocks like Great Central "A" (Chapter XVIII) and Chatham Ordinary (Chapter XIX) for growing capital value without regard to income.

The inherent value of these can always be ascertained to a nicety, and, when advantage of fluctuations in price is taken, all profits are added to the capital, which thereby increases safely and

surely. The holding of this class of stock, when bought below the inherent value, is practically free from risk.

To Double and Treble Capital with Risk.—This object is best attained by investing the capital in the manner explained in Chapter X, and working the stocks as shewn in Chapters XIII to XXII inclusive.

Table 3 (Chapter XII) explains how £9,675 was capable of producing an income of over £1,800 per annum. This can hardly be called doubling or trebling the capital, but then that result was attained without risk.

Whenever an investor is willing to take risks, he increases the amount of stock dealt in, and takes shorter and more frequent profits. In this way the chances of gain are multipliable to any extent.

It is feasible to make very large profits in this way. An investment of £570 in Mexican Railway 1st Pref., whilst worked on conservative lines, made over £200 per annum; £360 invested in Chatham Ordinary stock produced an average of £120 per annum, whilst a nucleus of 50 shares Canadian Pacific, costing £605, made £834 10s. in a single good year. The scope for making money in this way is therefore large.

When such results can be attained by working on conservative lines, it can easily be conjectured how much more money could be made when risks are taken.

It is not for us to say whether investors should speculate or not, we simply wish to shew how the maximum of profit with the minimum of risk is attainable. In any event, it is better to speculate in this way than to take up shares in new companies, or buy stocks indiscriminately on tips and rumours.

Investors who are satisfied with moderate profits should work on the plan adopted by us in Chapter XII, and illustrated on Table 3.

They should never buy any stocks which they, in case of need, are unable or unwilling to take up and hold ; they should confine their dealings to a few stocks which they thoroughly understand, and then they should take advantage of market fluctuations.

By implicitly following this plan, they will minimise the risk of loss, whilst retaining the chance of making a very large income.

Chapter XXIV.

The Practical Working of Investment Accounts.

FEW of our readers will find that all the investments held by them at present are likely to attain the object which they desire their stocks to produce. In such cases the bull ought to be taken by the horns, and all undesirable stocks gradually sold, until the list is cleansed of all investments of the wrong class.

This, in some cases, will be difficult, and stocks may have to be sold at a loss; but the first loss will be found the best.

Whenever stocks have been bought at high prices, and the loss, by now selling them, would be severe, the policy of averaging, prior to finally parting with them, should be considered. Investment lists can, in this way, often be reorganised free from loss.

Supposing an investor who desires a large income with fair capital stability holds Great Eastern at 134, or some one who desires a small income with growing capital value has invested in Great Western at 176, then these two investors should certainly rid themselves of their holdings, as these stocks can never produce the desired results.

Half measures are always bad, and particularly so in the case of investments. No investor can possibly obtain any real satisfaction from a mixed investment account, as it is like a horse and a donkey harnessed in the same cart.

These mixed accounts are produced by a desire to prepare for every emergency; but, thick flannel underwear, a light summer suit, a fur coat, thin shoes with goloshes over, a sou'-wester, light kid gloves, and an umbrella, though meeting every emergency, entail permanent discomfort on the wearer.

Mixed investment accounts are often more grotesque than the above combination; hence the discomfort and trouble which some investors experience.

Whenever an investor is at a loss how to proceed in the reorganisation of his account, he should send us a correct list of all his investments, giving the full names, the quantities held, and the original purchase price of each stock, stating at the same time what his real object in investing is.

We treat all such communications as strictly private and confidential, and, with a view of obtaining some of the business caused by the exchanges, give our opinion free of charge.

The next point for consideration is, how to transact the business with a maximum of efficiency at the minimum of expenditure.

However cheaply an investor can get his business done, he should never be induced to entrust it to a firm which is not, so to speak, marked A1 at Lloyds. There are black sheep in every flock, and unfortunately there are many brokers and jobbers inside and outside of the Stock Exchange who should not be trusted.

There can be no possible satisfaction in dealing with a firm which is not undoubtedly safe. Due enquiries should, therefore, be made before starting, and any firm which refuses to give satisfactory references, and cannot answer to an enquiry for at least £10,000, is undesirable for investment business.

Brokers and jobbers have often to be trusted with cash and securities to the value of thousands of pounds. Why run unnecessary risks? In the case of firms, as in the case of stocks, old-established concerns are always preferable.

Every price charged or given by a broker or jobber, and every demand for fees made by them should be carefully checked. How this can be most efficiently done is fully explained in Part II of Duncan's "How Money makes Money" (published by Effingham Wilson, Royal Exchange, London, price 2/6, and obtainable from the publishers, or authors, W. W. Duncan & Co., Ltd., 8 and 9, Waterloo Place, London, S.W.), a work which, we venture to submit, contains many useful hints.

To all those who desire to take advantage of the fluctuations in price, it will be of the utmost importance to make proper arrangements for the length of time during which their contracts for stocks shall be valid.

A most cursory glance at the charts attached to Chapters XIII to XXII shews that bargains usually require from one to twelve months for their proper development. According to the ordinary system of the London Stock Exchange, the maximum time allowed for the duration of a contract is 19 days, an entirely inadequate period.

It is true that arrangements can usually be made on the Stock Exchange to carry stocks over from one account to the other, but, then, a charge for such carrying-over is imposed, and the rate of interest for the accommodation varies in every account and on every class of stock.

Whilst sometimes stocks can be carried at 3 per cent., frequently as much as 20 per cent. is insisted upon, and, *unfortunately, high rates always prevail at*

the very time when the investor most requires capital accommodation.

For these reasons, when dealing for the ordinary account, the investor is never sure of being able to keep his stock open long enough, he never knows beforehand how much per day it will cost him to do so, and when stocks are continued for a number of accounts, the carrying-over charges absorb all profits.

Before starting, the investor should insist upon a binding bargain with his firm of stock dealers or brokers that every stock held will be kept open by them for a reasonable number of months, that no charges for carrying-over will be made, and that the rate of interest will be low (say 4 per cent. per annum) and will never vary, no matter what the quality of the stock may be.

All those who have hitherto done their business on the ordinary Stock Exchange terms, will fully appreciate the saving in money and trouble which such an arrangement is likely to effect.

Nearly all American and Continental stock dealing firms of repute are willing to deal on these terms. In England this mode of accounts is comparatively modern, and the members of the Stock Exchange naturally oppose such a reduction in their profits, but times are gradually changing, and many good firms, inside and outside of the Stock Exchange, are now willing to make such terms as will enable investors to make the most of their money.

THE END.

Chapter XXV.

Ideal Terms for Transacting Investment Business.

(Advertisement).

Duncan's stock-jobbing business was originally established in 1867, and was carried on by the late Mr. W. W. Duncan up to his death. In 1894 the Firm passed into the hands of the present proprietors, and, in 1899, was by them converted into a private Limited Liability Company, under the name of W. W. Duncan & Co., Limited. Under this title it now carries on business at 8 and 9, Waterloo Place, London, S.W.

As the Company is registered under the Companies' Acts, the record at Somerset House and the balance sheets issued from time to time enable the public to ascertain the Firm's financial stability without any trouble; and the object in registering the business as a Company was to offer this facility to the Firm's customers.

No shares have been issued to the public; the Directors and Managers are the only important shareholders; they are also the joint authors of this book.

The nominal capital of the Company is £100,000, of which £50,000 has been subscribed for in cash by the Directors, who also guaranteed that, at the

time of registration, the realisable funds of the concern should not fall short of £60,000, after providing for the purchase money and all outstanding liabilities. This amount of capital has, by experience, been found ample for the purposes of the business.

The Directors are Messrs. Henry Lowenfeld, Arnold A. Hannay and William Slark; the Bankers, the London and Westminster Bank, St. James' Street Branch; to all of whom references are permitted.

The Company acts as principal or Jobber in all transactions; no commissions of any kind are charged; and, advice given must, consequently, always be taken as advice given by a seller to a purchaser.

The business is conducted on three distinct modes of settlement, namely, the "Cash Settlement system," the "Fortnightly Account," the "Forward Delivery Credit Account."

CASH BARGAINS are settled forthwith by delivery and payment.

FORTNIGHTLY BARGAINS are settled by delivery and payment on the usual Stock Exchange Settling Day, the ruling Contango rates being charged.

FORWARD DELIVERY CREDIT ACCOUNT BARGAINS are settled by delivery and payment once every three months, thus GIVING THE INVESTOR AMPLE TIME FOR THE DEVELOPMENT OF THE TRANSACTION. The Dates of Settlement are fixed annually in advance. A uniform rate of 4 per cent. per annum, calculated on the exact number of days during which the bargain was open, is charged as interest on outlying purchase moneys. Example :—

On a stock bought on March 15th for Settlement on May 30th, but sold (or taken up by special arrangement) on April 10th, interest for 26 days at 4 per cent. per annum on the purchase money is charged.

Great facilities for carrying-over stocks from one account to another are given by the Company, no charges for carrying-over are made, but a margin of purchase money is usually insisted upon.

STOCKS ARE TAKEN UP for customers, free of commission, on the usual Banker's margins, at an interest charge of ½ per cent. above Bank Rate (for large blocks, or special speculative stocks, special arrangements above or below the above quotation are sometimes made).

Fair market prices are guaranteed on all transactions, the Exchange Telegraph Company's tape prices forming the basis of the price to be charged in all transactions.

ACCOUNTS ARE OPENED, without references or enquiry, with Investors who offer their Investment accounts for inspection. Intending customers who object to produce their Investment accounts are required to satisfy Duncans through references or otherwise as to their ability to fulfil contracts.

Investors who follow the lines of this Book on conservative principles are the most desirable customers of the firm. Whenever a highly speculative account is contemplated, the Firm must be secured by the customer, by a substantial amount on account of the purchase money of stocks sold for running account.

DUNCAN'S MARKET REPORT is published weekly for the information of the Company's customers; it practically forms an Appendix to this Book, the principles laid down therein being weekly discussed. A copy of this Report will be sent regularly free of

charge to customers and, with a view of inducing business, to intending customers on application.

Every branch of Banking and Stock-jobbing business, including the registration of stocks, cashing of coupons, collecting of dividends, and exchanging of bonds, is undertaken by the Company.

W. W. DUNCAN & Co., Ltd.,

8 and 9, Waterloo Place,
London, S.W.

APPENDIX No. I.

APPENDIX No. 1.

In the following three Prospectuses all names and capital amounts have been altered and all clues to identity removed; otherwise they are like the Prospectuses originally issued to the public.

One of the Companies has proved a good investment, one a mediocre affair, and one a rank failure.

Readers who imagine that the prospects of an undertaking can be gauged by a Prospectus should classify the three Companies as to value, and send this classification as to prospects to the authors of this book.

A list, giving the real names of the Companies, the dividends paid, and the present price of the shares, will be sent in return.

No. 1 PROSPECTUS.

The Subscription List will open on Monday and close on or before Wednesday next.

The DURHAM BANK and Branches are authorised to receive subscriptions for Shares in

JONES = BROWN, Limited.

(*Incorporated under the Companies Acts, 1862 to 1893.*)

Works—COVENTRY and BIRMINGHAM.

The Registered Share Capital is £220,000, of which the present issue is £167,860. Of this amount £137,860 is required for allotment to the Shareholders of the Vending Companies, half in Ordinary and half in Preference Shares.

The balance £30,000 is now offered to the public for subscription, viz.:—3,000 Six per Cent. Preference Shares of £5 each (entitled to a fixed cumulative preferential dividend of six per cent. per annum and to profit as regards capital), with 15,000 Ordinary Shares of £1 each.

PROSPECTUS.

The Company has been formed for the purpose of carrying into effect the scheme for the amalgamation of the Jones Cycle Company, Limited, and Brown Cycle Company, Limited, which recently so commended itself to the shareholders of both companies as to secure practically their unanimous approval. An issue of additional shares below constitutes one of the salient points of the project, as stated in the circular being the notice convening the meeting of the two Companies.

The new Company acquires the undertakings and assets of the above-mentioned Company as regards the Jones Cycle Company, Limited, from the 1st September, 1894, and the Brown Cycle Company, Limited, from the 1st August, 1894, subject to their liabilities as going concerns and to the provisions and the contracts specified below. Any net profits made by the Jones and Brown Companies respectively for the last financial year ending as above are reserved for payment to the Shareholders of these Companies. The consideration for this transfer is £137,860, to be made half in fully-paid Ordinary and half in fully-paid Preference shares of the new Company to the members of the Jones and Brown Companies respectively.

The existing Debenture debt of the Jones Company is £31,410, which will be discharged by Debentures to be issued by Jones-Brown, Limited.

Nearly all the present holders have consented to accept Debentures of such new issue in exchange. Additional Debentures will be issued to provide for the acquisition of leasehold land and buildings now in the occupation of the Brown Cycle Company, Limited, and the total Debentures of the Company at present to be issued will not exceed £42,000, including the before-mentioned sum.

The eminently satisfactory balance sheets of several important Companies for the past year shew that their earnings are sufficient to pay dividends on the Ordinary capital ranging from 10 to 30 per cent., proving that the manufacture of cycles under careful management yields ample returns to investors.

Although the cycle trade is becoming more and more regular and constant, the demand presses far more heavily in the first part of the year. In the event of the season opening early the rush for cycles is enormous, and unless the manufacturer is able to meet the demand promptly, past experience proves incontestably that large and profitable sales are lost. Both Companies during their career have suffered from this cause.

To increase the manufacture and resources of the Company in order that it may be equal to all such emergencies is the first reason for issuing new shares. A second reason is that previous to the amalgamation the Brown Cycle Company had commenced an urgently needed and very large extension of their works, which will shortly be completed. The third, and not the least important, reason is that more floating capital can be profitably employed in working the business, thereby enabling the Directors to take advantage of the many economies which could be effected with ample working capital.

Reviewing the position in conference with representatives and agents of the Company, the Directors find the prospects for coming season's trade most encouraging. The economies resulting from the amalgamation are substantial, and in the opinion of the Directors the savings should alone be sufficient to pay a fair dividend upon the Ordinary share capital.

The able, energetic and reliable management at the disposal of the Directors inspires them with every confidence for the future. The technical staff includes some of the most talented and successful cycle engineers of the day. The Company is in possession of important and valuable patented inventions which will accelerate the safety and render additionally easy the running of their cycles, thus increasing the comfort of riders.

During the past season the Jones and Brown cycles have attained the first position in the racing world. The success has been simply phenomenal. More world's records and wins have been secured than upon any other mount.

The following marvellous records amply justify this statement:

The fastest mile for riding on a cycle, 1 minute 41$\frac{1}{5}$ seconds.

The fastest mile for riding on a tricycle, 2 minutes 21$\frac{1}{5}$ seconds.

The fastest 100 miles for riding on a bicycle, 4 hours 5 minutes 36 seconds.

The greatest distance for riding in an hour by a motor cyclist, 26 miles 1,670 yards.

The greatest distance for riding in 6 hours on a bicycle, 134 miles.

The greatest distance for riding in 12 hours on a bicycle, 258 miles.

The greatest distance for riding in 12 hours on a tricycle, 234 miles 1,084 yards.

The greatest distance for riding in 24 hours on road, 375 miles.

Shortest time on a bicycle, York to London, 11 hours 51 minutes.

Shortest time on a single bicycle, Edinburgh to London, 28 hours 27 minutes.

The total distance of these last three rates is close upon a thousand miles over all kinds of roads. One identical machine, weighing rather less than 25 pounds, was used in all three events; notwithstanding the terrific speed at which it was driven it required neither repair nor adjustment.

The importance of these magnificent records can scarcely be over-estimated in proving the Companies' productions.

The Company will, for the present, continue to manufacture both Jones and Brown cycles, as they are already distinctively known, thus retaining the valuable good-will attached to each name.

Jones-Brown, Limited, is starting with a clear sheet, unburdened with old, obsolete stock, and everything on its books has been taken at a low valuation.

These facts, taken in conjunction with the great saving in expense already referred to, the great reputation of the machines for high-class workmanship, the large output and extensive connection of the united businesses, and the arrangement as to management to which the Directors attach the greatest importance, form a combination unequalled in the cycle trade; and the Directors believe that they are justified in confidently anticipating profits which will afford very satisfactory dividends to the Shareholders.

The following contracts have been entered into, viz. :—

(Here follows list of contracts).

There are also various trade contracts, agreements and acknowledgments, and other contracts which relate to the ordinary business of the Company and to the advertisements and raising of the share capital of the Company.

Applicants for shares will be deemed to have full notice of the last-mentioned trade contracts, agreements and acknowledgments, and applications will be received only upon the footing that the

applicants are deemed to agree with the Company as Trustee for the Directors and other persons employed to waive production of any further particulars of the said contracts, agreements and acknowledgments, and also any claims such applicants might have owing to any want of full compliance with the requirements of section 38 of the Companies Act, 1867, in relation thereto.

All preliminary expenses will be borne by the Company.

Applications for the shares must be made on the form accompanying the Prospectus and forwarded to the Bankers of the Company together with the amount payable on application.

If no allotment is made the deposit will be returned without reduction, and where the number of shares allotted is less than the number applied for the surplus will be credited in reduction of the amount payable on allotment.

A quotation on the Liverpool Stock Exchange will be applied for in due course.

The Forms of Application may be obtained and copies of the Memorandum and Articles of Association of the Company and all the contracts and agreements above specifically mentioned may be inspected at the Company's Solicitors' offices.

No. 2 PROSPECTUS.

SMITHS, LIMITED.

(Formed to acquire the business of the Smith Cycle Co., Limited).
Incorporated under the Companies' Acts, 1862 to 1893.

Capital - - £250,000

DIVIDED INTO

250,000 Ordinary Shares of £1 each - - £250,000.

All of which are now offered for Subscription at Par.

There are no Preference shares or Debentures issued.

The business will be taken over as from the 1st of November, 1896, and the trading from that date will be deemed to have been carried on for the benefit of this Company.

The first dividends will be computed from the dates of payment of the respective instalments.

No promotion money. No underwriting.

Prospectus.

THIS Company has been formed to take over as a going concern, extend and provide additional working capital for the entire business of the Smith Cycle Company, Limited.

The provision of additional working capital has been rendered absolutely necessary by the very great demand for "Smith" cycles.

The Smith Cycle Company, Limited, was incorporated in June, 1896, with a capital of £70,000, all of which has been issued, and £60,000 thereof paid up in cash, and under a contract, dated the 11th June, 1896, between a former private limited Company of the same name, then in voluntary liquidation for the purposes of reconstruction, and John Jenkins, the liquidator thereof of the one part, and the Smith Cycle Company, Limited, of the other part, the last-mentioned Company took over as a going concern as from the 1st October, 1895, the business and

good-will of the private Company. The business so acquired for which the Smith Cycle Company paid the private Company (in addition to undertaking its debts and liabilities) £41,017 16 4 in cash and £10,000 in shares, has proved to be most valuable, and the success of the Company has exceeded the most sanguine expectations. Since the incorporation of the Company the business has increased so rapidly that it has never been able to keep pace with the demand.

Notwithstanding that the capacity for output has been trebled during the past year, sufficient orders have been received by the end of December last to more than cover the whole of the possible output for next year, and since that date the Company has been obliged to refuse all fresh orders.

The Smith Cycle Company, Limited, carries on business, not only in the United Kingdom and the Colonies, but practically in every country in Europe.

The fee simple of the ground on which the works stand has recently been acquired. It covers about 4,191 square yards. The buildings are of a most substantial and suitable character (they were built by the Government as a small arms factory); at present there are about 450 hands employed, and with the proposed extensions the works would be capable of accommodating over 1,000 hands. The freehold property, being in the centre of the city, is in itself a most valuable asset.

The depot is held on a lease for 21 years at very advantageous terms and is situated in the best business portion of the west end.

A portion of the additional working capital provided by this issue will enable the Directors to open other depots where the Company is not adequately represented.

This Company will take all profits made from the 1st of November, 1896. Owing to the great pressure of business at this season of the year, it would be unwise to stop the works to take stock in order to prepare a balance sheet to date, but the Directors have obtained from the Managing Directors of the vendor Company the following statement, with which they concur:

To the Chairman and Directors of Smiths, Limited.

23rd April, 1897.

GENTLEMEN,

In accordance with your request for information as to the present capacity of the works of the Smith Cycle Company, Limited, and the position of the Company's business with regard to the present year's trading, we beg to submit the following:

In our joint opinion the capacity of the works, as at present arranged, is insufficient to meet the demands of the agents already appointed, and in future years will be quite inadequate.

If a greater capacity of output were provided, fresh agents could be appointed at once; as since December last all orders and applications for agencies have had to be refused.

Our estimate of the profits for the year ending the 30th of October, 1897, on the business already in hand is £25,000.

Yours faithfully,

The Managing Directors of the
Smith Cycle Co., Limited.

Very important developments of the business have been for some time past under the consideration of the Directors of the vendor Company, and in conjunction with the Managing Director they have arranged details, with the result that the present Board are confident the scope of the Company's trading will be enormously extended.

As the accrued profits from the 1st of November, 1896, together with the extra capital now sought for, will leave an additional working capital of over £80,000, it will thus be seen that the Board will have ample funds at their command to take advantage of the opportunities offered, and to carry out to the fullest extent these contemplated extensions.

The Directors wish to draw attention to the fact that the estimate of £25,000 profits for the year ending 30th of September is based solely on the present capacity of the works and the orders in hand, and they confidently anticipate that when the contemplated extensions are completed, and the extra working capital of £80,000 utilised, the profits will be at least double that amount.

The valuable services of Mr. J. Jones have been retained as Managing Director for a period of seven years, at a salary of £1,000 per annum. Mr. Jones' knowledge of cycle construction is unsurpassed, as, in addition to his being a Member of the Institution of Mechanical Engineers, and a recognised authority in the trade, his fame as a rider is world-wide.

The purchase price has been fixed at £177,500, payable as to £10,000 in cash, and the balance in cash or shares at the option of the Directors of the Company, with a further option for any individual shareholder in the vendor Company to claim on or before the 5th day of May, 1897, shares in lieu of the cash coming to him. This will leave a surplus of £72,500 out of the present issue for additional working capital.

This Company will, in addition, undertake the debts, liabilities and engagements of the vendor Company, and will receive all profits earned after the 30th October, 1896.

The Smith Cycle Company, Limited, who are the vendors, have promoted this Company, and will pay all preliminary expenses in connection with the formation and registration of this Company, up to and including the transfer of the property, but no promotion money has been or will be paid, nor has any portion of the capital been underwritten.

The present Directors are Directors of the Smith Cycle Company, Limited, and as such are interested in the sale to this Company.

Quotations on the London, Dublin and Birmingham Stock Exchanges will be applied for at the earliest possible date.

The business will be taken over subject to all existing contracts. These are of the ordinary trade character and necessary for the working of the concern ; but including, as they do, contracts with employees and customers and others, they cannot be specified, although they may constitute contracts within the meaning of section 38 of the Companies Act, 1867.

Applicants for shares shall be deemed to have all necessary information, and to agree with the Company as trustee for the Directors and other persons liable to waive all rights, if any, to any further information than is contained in this Prospectus, and all rights whatsoever under the same section, and applications will be received and allotments made on that footing only.

Applications for shares should be made on the form enclosed and forwarded to the Bankers of the Company with the amount of the deposit.

If no allotment is made the deposit will be returned in full, and where the number of shares allotted is less than the number applied for, the balance will be applied towards payment due on allotment and any excess returned to the applicant.

Copies of the Prospectus, with Forms of Application for shares, can be obtained at the offices of the Company, or from their Bankers, Auditors or Solicitors.

The Memorandum and Articles of Association and the contracts specified above can be seen at the offices of the Solicitors to the Company.

The MANCHESTER CYCLES Co.,
LIMITED.

(Incorporated under the Companies Acts 1862-1890.)

Capital : : : : £400,000,

TO BE DIVIDED INTO

100,000 6 per cent. Cumulative Preference Shares of £1 each,

100,000 8 per cent. Cumulative Ordinary Shares of £1 each,

AND

200,000 Deferred Shares of £1 each.

The whole of the Deferred shares and 25,000 or more of the Ordinary shares will be allotted to the vendor or his nominees in part payment of the purchase money.

100,000 cumulative 6 per cent. Preference shares and 75,000 cumulative 8 per cent. Ordinary shares are now offered for subscription.

The Deferred shares will carry no dividend until the Ordinary shareholders have received a cumulative dividend at the rate of 8 per cent. per annum. After payment of the dividend on the Ordinary shares, the Deferred shares are to take 8 per cent., and the Ordinary and Deferred shares will rank *pari passu* for dividend out of the surplus profits.

PROSPECTUS.

THIS Company has been formed to acquire and develop the undertaking of the well-known Manchester Cycle Works, and the valuable patents connected with the manufacture of "Manchester" cycles.

The report of Messrs. Blank & Co., the Accountants, shows that the present earning power of the concern is at the rate of £30,000 per annum.

The Vendor confirms this estimate of the profitable nature of the business by guaranteeing that for the two years ending the 31st

August, 1898, the balance of profit shall be sufficient to pay not less than 8 per cent. upon the Ordinary shares, after providing the full Preference dividend of £6 per cent. per annum, and he has agreed to leave in the hands of the Board 12,500 Ordinary shares and 12,500 Deferred shares as security for this being realised.

All expenses of and incident to the formation of the Company and the subscription of its capital will be borne and paid by the Vendor up to the date of allotment.

Copies of the above-mentioned contracts and of the Memorandum and Articles of Association of the Company, and also the report of Messrs. Blank & Co., the Accountants, may be inspected at the offices of the Solicitors of the Company in London.

There are certain trade contracts to the benefit of which this Company will be entitled, but which the Directors do not deem it advisable to insert in the Prospectus.

Other agreements or arrangements with reference to the issue of the Company's capital have been entered into to which the Company is not a party.

Applicants for shares shall be deemed to have notice of the existence of these contracts, agreements and arrangements, and to have agreed with the Company as Trustee for the Directors and others to waive their right (if any) to particulars thereof, or to any further compliance with section 38 of the Companies Act, 1867, than is contained in this Prospectus.

Application for shares must be made on the accompanying forms and forwarded to the Bankers of the Company with the amount payable on application.

In every case where no allotment is made the deposit will be returned to the applicant in full, and where the number of shares allotted is less than the number applied for the surplus will be credited in reduction of the subsequent instalments. Any balance over and above will be returned to the applicant.

Stock Exchange quotations in London and provincial centres will be applied for in due course.

Prospectuses and forms of application may be obtained from the Bankers, Solicitors and Brokers, or from the Secretary of the Company.

END OF APPENDIX.

STRAKER BROTHERS, LTD.,
PRINTERS,
44-47, BISHOPSGATE WITHOUT
E.C.

PUBLICATIONS

ISSUED BY

EFFINGHAM WILSON,

Royal Exchange, LONDON.

NEW BOOKS.

A CENTURY OF COPPER.

Part 1. STATISTICS.

By NICOL BROWN and CHARLES CORBETT TURNBULL.

Price 2s. 6d.

COMPANY FRAUDS ABOLITION.

Suggested by a review of the Company Law for more than half-a-century.

By RICHARD RUSSELL.

Price 1s. 6d.

MAPS.

NEW MAP OF THE WITWATERSRAND GOLD-FIELDS. Compiled by Messrs. WOOD & ORTLEPP, of Johannesburg. Scale, Half-mile to the Inch. Size 9 feet by 3 feet. Prices: four Coloured Sheets, £4 4*s.*; mounted to fold in Case, £5 14*s.* 6*d.*; Rollers, varnished, £5 14*s.* 6*d.*; mounted in Portfolio, £6 6*s.*; mounted on Spring Rollers, £12 12*s.*

KALGOORLIE. Showing the Gold Mining Leases in the direct Hannan's Belt, East Coolgardie Goldfield, Western Australia. Price on Roller and Varnished, 15*s.* net. Mounted to fold in Case, 21*s.* net.

A NEW MAP OF THE BOULDER GROUP OF THE HANNAN'S GOLDFIELD, KALGOORLIE. The famous "Australia Square Mile." Scale, 20 Inches to 1 Mile. Size, 40 inches by 30 inches. Price: 20*s.* net, folded in case or mounted on Rollers.

BRITISH COLUMBIA.

THE "PROVINCE" MINING MAPS.

Cariboo. Map of the Central District. Price 4*s.* net.
West Kootenay Central Division, 4 Maps. Price 4*s.* 6*d.* net.
West Kootenay Southern Division, 4 Maps. Price 4*s.* 6*d.* net.
Klondike and the Gold-bearing Districts of the North-west Territories. Price 2*s.* net.

JOINT-STOCK COMPANIES (1862—1890). New and Revised Edition. Twenty-fifth Thousand. By JAMES WALTER SMITH, Esq., LL.D. Price 1*s.* 6*d.*

INVESTOR'S BOOK-KEEPING. By EBENEZER CARR. Price 1*s.*

POWERS, DUTIES & LIABILITIES OF DIRECTORS UNDER THE COMPANIES ACTS, 1862-1890. By T. W. HAYCRAFT, Esq., Barrister-at-Law. Price 1*s.* 6*d.*

AYER JULES. General and Comparative Tables of the World's Statistics, Area and Population, Religion, Finance, Currency, Army, Navy, Railways and Telegraphs, Capitals and Towns, Time at Capitals, etc. On a Sheet 35 × 22. Price 1*s.* net.

1899, revised to the End of March.

"A most admirable chart. In fact it is 'The Statesman's Year Book' in a nutshell."—*Westminster Gazette.*

BIRKS, H. W. Half-yearly Comparative Analysis of the Balance Sheets of London Joint-Stock and Private Banks. February and August. Sheets, 1*s.* Bound Leather. Price 5*s.*

Investment Ledgers. Designed for the use of Investors. Bound in leather. Price 3*s.* 6*d.*

BOOTH, A. A., and M. A. GRAINGER. Diagram for calculating the yield on Redeemable Stocks. Price 10*s.* 6*d.* net.

By means of a small ruler and a table of lines the true yield on a bond or stock purchased at a given price, which is redeemable either at or above par, can be obtained at once without calculation of any kind.

BORLASE, W. C., M.A. Tin Mining in Spain. Past and Present. Price 2*s.* 6*d.*

BOSANQUET, BERNARD T. Universal Simple Interest Tables, showing the interest of any sum for any number of days at 100 different rates, from $\frac{1}{8}$ to $12\frac{1}{8}$ per cent. inclusive; also the interest of any sum for one day at each of the above rates, by single pounds up to one hundred, by hundreds up to forty thousand, and thence by longer intervals up to fifty million pounds. 8vo, pp. 480. Price 21*s.* cloth.

CASTELLI, C. Theory of "Options" in Stocks and Shares. Price 2*s.* net.

DALE, BERNARD. How are the Profits for the Year to be ascertained; or what is the Capital of a Company? Second and Revised Edition. Price 1*s.* net.

DE SEGUNDO, E. The Rapid Share Calculator. For Calculating $\frac{1}{8}$ths, $\frac{1}{16}$ths and $\frac{1}{32}$nds. Price 10*s.* 6*d.* net.

"An ingenious mechanical contrivance for easily calculating fractional values."—*Standard.*

DONALD, T. Accounts of Gold Mining and Exploration Companies. With Instructions and Forms for rendering the same to Head Office. Price 3*s.* 6*d.* net.

DUNCAN, W. W. How Money makes Money. Price 2*s.* 6*d.* net.

ELLIS, ARTHUR. Rationale of Market Fluctuations. Third Edition. Price 7*s.* 6*d.*

ENNIS, GEORGE, and ENNIS, GEORGE FRANCIS MACDANIEL. The Registration of Transfers of Transferable Stocks, Shares, and Securities; with a chapter on the Forged Transfers Act, and an Appendix of Forms. Price 7*s.* 6*d.*

FENN. Fenn on the Funds. Containing Details and Histories of the Debts, Budgets and Foreign Trade of all Nations, together with Statistics elucidating the Financial and Economic Progress and Position of the various Countries. Sixteenth Edition, thoroughly revised. Price 15*s.* Edited by S. F. VAN OSS and H. H. BASSETT.

"That classical work."—*Athenæum.*

"The careful revision has given a fresh lease of life to this useful occupant of the financier's and publicist's shelves."—*Daily Graphic.*

"That authoritative book of reference."—*Daily News.*

GABBOTT, E. R. How to Invest in Mines: a Review of the Mine, the Company and the Market. Price 2*s.* 6*d.* net.

GILBERT. Interest and Contango Tables. Price 10*s.* net.

GOLDMANN, CHARLES SYDNEY, F.R.G.S., with the co-operation of JOSEPH KITCHIN. South African Mines: giving the Position, Results and Developments of all South African Mines; together with an Account of Diamond, Land, Finance and kindred concerns. In three volumes.

VOL. I.—Devoted to detailed Descriptions of all Witwatersrand Mining Companies, containing about 500 pages.
VOL. II.—Dealing with Mining Companies other than Rand, together with Rhodesian, Diamond, Finance, Investment, Land, and Miscellaneous Companies. It contains about 220 pages.
VOL. III.—100 Maps and Plans of Mining Properties, including a large Scale Map of the Rand in seventeen sections, together with dip, tonnage and other charts.
Price £3 3*s.* net.

The Financial, Statistical and General History of the Gold and other Companies of Witwatersrand, South Africa. Price 12*s.* 6*d.* net.

GUMERSALL. Tables of Interest, etc. Interest and Discount Tables, computed at 2½, 3, 3½, 4, 4½ and 5 per cent., from 1 to 365 days and from £1 to £20,000; so that the Interest or Discount on any sum, for any number of days, at any of the above rates, may be obtained by the inspection of one page only.

Nineteenth Edition, in 1 vol., 8vo (pp. 500), price 10*s.* 6*d.*, cloth, or strongly bound in calf, with the Rates per cent. cut in at the fore-edge, price 16*s.* 6*d.*

HAM'S Customs Year-Book. A new List of Imports and Exports, with Appendix and a brief Account of the Ports and Harbours of the United Kingdom. Published Annually. Price 3*s.*; with Warehousing Supplement, 4*s.* 6*d.* net.

Inland Revenue Year-Book. The recognised book of Legal Reference for the Revenue Departments. Published Annually. Price 3*s.*; with Warehousing Supplement, 4*s.* 6*d.* net.

HAUPT, OTTOMAR. Arbitrages et Parités. Traité des Opérations de Banque, contenant les usages commerciaux, la théorie des changes et monnaies, et la statistique monétaire de tous les pays du globe. Huitième édition. Price 12*s.* 6d. net.

The Monetary Question in 1892. Price 5*s.*

HIBBERT, W. NEMBHARD, LL.D. The Law relating to Company Promoters. Price 5*s.*

HUGHES, T. M. P. Investors' Tables for ascertaining the true return of Interest on Investments in either Permanent or Redeemable Stocks or Bonds, at any rate per cent., and prices from 75 to 140. Price 6*s.* 6*d.* net.

KINDELL'S African Market Manual, giving particulars of all Companies (African and Rhodesian) dealt in in the African Market of the Stock Exchange. April, 1899. Price 5*s.* net.

MATHIESON, FREDC. C., & SONS. Monthly Traffic Tables; showing Traffic to date and giving, as comparison, the adjusted Traffics of the corresponding date in the previous year. Price 6*d.*, by post 7*d.* Monthly.

American Traffic Tables. Monthly. Price 6*d.*, by post, 7d.

Highest and Lowest Prices, and Dividends paid during the past six years. Annually. Price 2*s.* 6*d.*

Provincial Highest and Lowest Prices as quoted on the following Stock Exchanges: Birmingham, Dublin, Edinburgh, Glasgow, Leeds, Liverpool, Manchester and Sheffield. Annually. Price 2*s.* 6*d.*

Six Months' Prices and Dates. Uniform with "Highest and Lowest Prices." Annually, in July. Price 2*s.* 6*d.*

Investor's Handbook of Railway Statistics. 1878-1899. Annually. Price 6*d.*

Investor's Ledger. Price 3*s.* 6*d.* net.

Indian Railway Companies. A Handbook for Officials, Stockbrokers and Investors. Annually. Price 1*s.* net.

Monthly Mining Handbook. Price 1*s.* net.

Redeemable Investment Tables. Calculations checked and extended. By A. SKENE SMITH. Price 15*s.* net.

MELIOT'S English and French Explanatory Dictionary of Terms and Phrases relating to Finance, the Stock Exchange, Joint-Stock Companies and Gold Mining. Price 5*s.* net.

MELSHEIMER and GARDNER. Law and Customs of the London Stock Exchange. Third Edition. Price 7*s.* 6*d.*

MILFORD, PHILIP. Pocket Dictionary of Mining Terms. Third Edition, revised. Price 1*s.*

POOR, H. V. & H. W. Manual of the Railroads of the United States, and other Investment Securities.

Statements showing the Financial Condition, etc., of the United States, and of all leading Industrial Enterprises.

Statements showing the Mileage, Stocks, Bonds, Cost, Traffic, Earnings, Expenses and Organisations of the Railroads of the United States, with a Sketch of their Rise, Progress, Influence, etc. Together with 70 Maps and an Appendix, containing a full Analysis of the Debts of the United States and of the several States. Published Annually. Price 42*s.*

The Money Question. A Handbook for the Times. Price 6*s.* net.

ROYLE, WILLIAM. Laws relating to English and Foreign Funds, Shares and Securities. The Stock Exchange, its usages, and the Rights of Vendors and Purchasers. Price 6*s.*

SIMONSON, PAUL F., M.A. (Oxon.). A Treatise on the Law Relating to Debentures and Debenture Stock, issued by Trading and Public Companies and by Local Authorities, with forms and precedents. 521 pp., royal 8vo. Second Edition. Price 21*s.*

"Exhaustive in its treatment."—*Times.*

"Comprehensive, well-planned and reliable."—*Law Journal.*

STEVENS, W. J. Home Railways as Investments. Second Edition. Price 2*s.* 6*d.* net.

"An interesting and instructive treatise."—*Daily Chronicle.*

STOCK EXCHANGE OFFICIAL INTELLIGENCE; Being a carefully compiled *précis* of information regarding British, American and Foreign Stocks, Corporation, Colonial and Government Securities, Railways, Banks, Canals, Docks, Gas, Insurance, Land, Mines, Shipping, Telegraphs, Tramways, Water-works and other Companies. Published Annually under the sanction of the Committee. Price 50*s.*

STUTFIELD, G. HERBERT, and CAUTLEY, HENRY STROTHER. Rules and Usages of the Stock Exchange. Containing the Text of the Rules and an Explanation of the general course of business, with Practical Notes and Comments. Second and Revised Edition. Price 5*s.*

VAN OSS, S. F. American Railroads and British Investors. Price 3*s.* 6*d.* net.

Stock Exchange Values: A Decade of Finance, 1885-1895. Containing Original Chapters with Diagrams and Tables giving Reviews of Each of the last Ten Years—Trade Cycles—The Course of Trade, 1884 to 1894—Silver—New Capital Created, 1884 to 1894—The Money Market, 1884 to 1894—Government and Municipal Securities—Colonial Securities—Foreign Government Securities—Home Railway Stocks—American Railways—Foreign and Colonial Railways and Miscellaneous Securities. Together with Charts showing at a glance prices of principal securities for past ten years, and Highest and Lowest Prices year by year (1885 to 1894 inclusive) of every security officially quoted on the Stock Exchange, with dates and extreme fluctuations (extending to over 200 pages of Tables), compiled by Fredc. C. Mathieson & Sons. Price 15*s.* net.

"An unusually interesting chronicle of financial events during the last ten years. . . . We have not anywhere come across one so concise and yet so complete."—*Athenæum.*

84088
EcF
Author Duncans, W.W. & Co.,Ltd.,London D9126p
Title Profits v rsus dividends on Stock Exchange invest-
ments

UNIVERSITY OF TORONTO
LIBRARY

Do not
remove
the card
from this
Pocket.

Acme Library Card Pocket
Under Pat. "Ref. Index File."
Made by LIBRARY BUREAU

UTL AT DOWNSVIEW
D RANGE BAY SHLF POS ITEM C
39 13 12 10 09 015 3